

CA1
L
-26A41

Government
Publications

Department of Labour, Canada

HON. GEORGE B. JONES

— — MINISTER OF LABOUR

COMBINES INVESTIGATION ACT, 1923

INVESTIGATION
INTO ALLEGED COMBINE
IN THE DISTRIBUTION OF
FRUITS AND VEGETABLES
PRODUCED IN ONTARIO
1925-26

Report of Commissioner

—
JULY 31, 1926

OTTAWA: F. A. ACLAND, Printer to the King's Most Excellent Majesty, 1926



Department of Labour, Canada

HON. GEORGE B. JONES

— — MINISTER OF LABOUR

COMBINES INVESTIGATION ACT, 1923

INVESTIGATION
INTO ALLEGED COMBINE
IN THE DISTRIBUTION OF
FRUITS AND VEGETABLES
PRODUCED IN ONTARIO
1925-26

Report of Commissioner

—
JULY 31, 1926

OTTAWA: F. A. ACLAND, Printer to the King's Most Excellent Majesty, 1926

CONTENTS

| | |
|------|--|
| Page | |
| 7 | Part I.—Preliminary. |
| 7 | Appointment. |
| 7 | Investigation. |
| 7 | Attitude of Growers and Commission. |
| 7 | Scope of Investigation. |
| 8 | Definition of a Combine. |
| 9 | Part II.—Investigative. |
| 9 | Production in Ontario. |
| 9 | Distribution outside Ontario. |
| 9 | Export to the United Kingdom. |
| 11 | Export to the United States. |
| 11 | Distribution in other parts of Canada. |
| 11 | The West. |
| 11 | Eastern Provinces. |

OTTAWA, August 5, 1926.

Honourable GEORGE B. JONES,
Minister of Labour,
Ottawa.

SIR,—I have the honour to transmit herewith the report of Mr. Lewis Duncan, Commissioner appointed by Order in Council to investigate an alleged combine in the distribution of fruits and vegetables produced in Ontario, 1925-26.

Yours faithfully,

F. A. MCGREGOR,
Registrar,
Combines Investigation Act.

CONTENTS

| | PAGE |
|--|------|
| PART I.—PRELIMINARY..... | 7 |
| Appointment..... | 7 |
| Investigation..... | 7 |
| Attitude of Growers and Consumers..... | 7 |
| Scope of Investigation..... | 7 |
| Definition of a Combine..... | 8 |
| PART II.—INVESTIGATION..... | 9 |
| Production in Ontario..... | 9 |
| Distribution outside Ontario..... | 9 |
| Export to the United Kingdom..... | 9 |
| Export to the United States..... | 11 |
| Distribution in other parts of Canada..... | 11 |
| The West..... | 11 |
| Eastern Provinces..... | 11 |
| Montreal..... | 12 |
| Distribution within Ontario..... | 12 |
| Northern and Western Ontario..... | 12 |
| Central Ontario..... | 12 |
| London..... | 13 |
| Brantford..... | 14 |
| Peterborough..... | 14 |
| Ottawa..... | 17 |
| Hamilton..... | 17 |
| Toronto..... | 17 |
| A. The Absence of Adequate Facilities for Public marketing..... | 18 |
| St. Lawrence Market..... | 18 |
| South St. Lawrence Market..... | 19 |
| St. Andrew's Market..... | 19 |
| St. Patrick's Market..... | 20 |
| Demand for other Markets..... | 20 |
| North Toronto Market..... | 20 |
| Humber Market..... | 20 |
| B. Conditions and Practices on the wholesale fruit market..... | 21 |
| Toronto Wholesale Fruit Merchants Association..... | 21 |
| Toronto Fruit Market..... | 22 |
| Supply..... | 23 |
| Gluts..... | 23 |
| Competition among Commission men..... | 24 |
| Receipt of Consignments..... | 24 |
| Display of Consignments..... | 24 |
| Record of Sale of Consignments..... | 24 |
| Advice to Grower..... | 24 |
| Sales..... | 25 |
| Cases of Agreement..... | 25 |
| 1. Agreement as to rate of commission..... | 25 |
| 2. Agreement as to the levying of a cartage charge irrespective of whether or not the goods are delivered..... | 26 |
| 3. The practice of making improper returns to the grower..... | 27 |
| Cases in which the dealers' records do not disclose the disposition made of the growers' goods..... | 27 |

| | |
|---|----|
| Cases of under or overpayment where records are complete as to disposition made of the goods..... | 28 |
| Reasons advanced for over and underpayments..... | 29 |
| (a) Paying to one grower or group of growers the amount underpaid to other growers..... | 29 |
| (b) Withholding moneys to cover "allowances" made to retailers on account of the deteriorated condition of the goods..... | 30 |
| (c) Retaining moneys to cover the "extra trouble" of delivery to certain customers, or to "compensate" the dealer for having to wait for his money in the case of certain customers, or to "insure" the dealer against bad debts..... | 30 |
| (d) In the case of sales to private individuals or when certain other exceptionally good sales have been made, paying the grower "what the goods are worth" or an estimated "market price", the difference being retained by the agent..... | 30 |
| Specific cases of underpayment..... | 31 |
| Other instances of improper returns..... | 31 |
| (a) Averaging prices to the grower..... | 31 |
| (b) The practice of concealing the fact that the goods have been "bought" or "taken over" by the agent..... | 31 |
| Public Markets..... | 34 |
| Unorganized Condition of Growers..... | 34 |
| PART III.—FINDINGS..... | 36 |
| Combine..... | 36 |
| Public Markets..... | 36 |
| "Spread" between Producer & Consumer..... | 37 |
| Toronto (Wholesale) Fruit Market..... | 37 |
| Grower-owned Agency..... | 38 |
| Records of agents..... | 38 |
| Assistance for Growers..... | 38 |
| PART IV.—RECOMMENDATIONS..... | 39 |
| PART V.—APPENDICES..... | 40 |
| Appendix A, Pronouncement against Jobber-Broker Combination..... | 40 |
| Appendix B, Dealers' explanation of certain cases of apparent underpayment and incorrect accounting..... | 43 |

PART I—PRELIMINARY

TORONTO, July 31, 1926

F. A. MCGREGOR, Esq.,
Registrar, Combines Investigation Act,
Department of Labour,
Ottawa, Ontario.

SIR,—In compliance with the instructions of the Honourable the Minister, and in accordance with the Section 21 of the Combines Investigation Act, 1923, the undersigned has the honour to transmit his report on the investigation of an alleged "combine" in the distribution of fruits and vegetables produced in Ontario.

APPOINTMENT

Following a formal complaint under Section 5 of the Combines Investigation Act, 1923, by six residents of the Province of Ontario, the undersigned was by Order in Council P. C. 1083 of 1925 appointed a commissioner to investigate an alleged "combine" in the distribution of fruits and vegetables.

INVESTIGATION

Pursuant to the said Order in Council and the statute, the undersigned proceeded to make the required investigation. Evidence has been taken under oath at various places, and books and records have been examined. From time to time and for various phases of the work the undersigned has had the assistance of L. F. Burrows, Secretary of the Horticultural Council of Canada, Sedley A. Cudmore, Chief Statistician, Bureau of Statistics, Ottawa, Saunders, Cameron & Company, and F. G. Short, Chartered Accountants, of Toronto, H. S. Dagg, of the accounting staff of the Department of Labour, Ottawa, and a staff of accountants.

ATTITUDE OF GROWERS AND CONSUMERS

There appears to be a widespread belief among the growers, which has also been found to be held by individuals in the consuming public, that there is an unwarranted disparity between the prices received by the growers for their fruit and vegetables, and those paid by the consuming public, and that this disparity is due to some improper combination or practice among the commission men, wholesalers or retailers, who it is supposed have unfairly profited by these practices. This has been the matter which your Commissioner has had under investigation.

SCOPE OF INVESTIGATION

The evidence of the complainants and others was concerned mainly with the marketing of the Ontario crop in Ontario and the inquiry has been concerned largely with this aspect of the situation. Evidence was taken or inquiries made in Toronto, Hamilton, London, Montreal, Kingston, Peterborough, Brantford, Grimsby, Niagara, Beamsville, St. Catharines, Simcoe, Stratford, North Bay, Sault Ste. Marie, and other places.

In the course of the inquiry many matters were brought to the attention of your Commissioner of great importance in the marketing of the crop.

Whenever an allegation was made or evidence found of practices which might be injurious to producer or consumer these were investigated. If the

inquiry disclosed no evidence that such practices were the result of any combine within the broad definition given to that word in Section 2 of the Combines Investigation Act, the matter was not pursued further, but your Commissioner considers that the proper course is not to ignore such matters in his report, but to set out in reasonable detail the facts which have come to his attention, in order that the situation may be clarified and the grounds for the conclusions which are arrived at may be apparent.

DEFINITION OF A COMBINE

Section 2 (a) of the Combines Investigation Act, 13-14 Geo. V, chap. 9, defines a combine. Subject to a qualification, to be presently mentioned, the expression includes—

- (1) Mergers, trusts and monopolies so called;
- (2) The relation resulting from the purchase, lease or other acquisition by any person of any control over or interest in the whole or part of the business of any other person;
- (3) Any actual or tacit contract, agreement, arrangement or combination, which has or is designed to have the effect of—
 - (i) limiting facilities for transporting . . . supplying, storing or dealing;
 - (ii) preventing, limiting or lessening . . . production;
 - (iii) fixing a common price or a re-sale price or a common rental or a common cost of storage or transportation;
 - (iv) enhancing the price . . . or cost of article, rental, storage or transportation;
 - (v) preventing or lessening competition in or substantially controlling within any particular area or district or generally, production . . . purchase, barter, sale . . . or supply;
 - (vi) otherwise restraining or injuring trade or commerce.

The qualification above referred to is that the "merger," "relation" or "contract, etc.," must be one which has operated or is likely to operate "to the detriment of, or against the interest of the public, whether consumers, producers or others." Such a "merger," "relation" or "contract, etc.," is a "combine" within the meaning of the Act; and any person who is a party or privy to, or who knowingly assists in the formation or operation of such a combine is guilty of an indictable offence.

SCOPE OF INVESTIGATION

The evidence of the complainants and others was concerned mainly with the marketing of the Ontario crop in Ontario and the inquiry has been concerned largely with this aspect of the situation. Evidence was taken or induced in Toronto, Hamilton, London, Montreal, Kingston, Peterborough, Brantford, Guelph, Niagara, Beauport, St. Catharines, Simcoe, Stratford, North Bay, Sault Ste. Marie, and other places. In the course of the inquiry many matters were brought to the attention of your Commissioner of great importance in the marketing of the crop. Whenever an allegation was made or evidence found of practices which might be injurious to producer or consumer these were investigated. If the

PART II—INVESTIGATION

PRODUCTION IN ONTARIO

According to the census of 1921 the value of fruits and vegetables produced in Ontario in 1920 was:—

| | |
|---|--------------|
| Fruits (including apples, peaches, pears, plums, cherries, grapes, berries and currants)..... | \$14,471,975 |
| Vegetables..... | 10,127,815 |
| | <hr/> |
| | \$24,599,790 |

This represents a very considerable creation of wealth, the proper distribution of which is of great moment to the community.

DISTRIBUTION OUTSIDE ONTARIO

Distribution outside Ontario can be considered under three headings—

- (a) Export to the United Kingdom
- (b) To the United States
- (c) To parts of Canada outside Ontario.

EXPORT TO THE UNITED KINGDOM

Export abroad is principally to the markets of the United Kingdom, and is substantially confined to apples. There is some dissatisfaction with the returns received. In this connection your Commissioner draws attention to the Report of the Departmental Committee on Distribution and Prices of Agricultural Produce (known as the Linlithgow Committee) and the Report of the Imperial Economic Committee on Marketing and Preparing for Market of Foodstuffs Produced in the Overseas Parts of the Empire (known as the Mackinder Committee). The first mentioned committee finds certain practices to exist among commission salesmen in England, which it condemns. These practices are,—

- (a) averaging returns to consignors;
- (b) returning to the grower lower prices than those actually realized;
- (c) the commission salesman selling to himself goods he handles on account of a principal.

The Committee was of opinion that salesmen should be required to state clearly on each sales account whether they have acted in the capacity of commission salesmen or merchants and that “on every account in respect of a commission sale the salesman should be required to set out not only the actual price realized, together with the rate of commission charged, but also the amount of each separate deduction”

The Committee further was “convinced of the advantages that would be secured if all commission salesmen in the wholesale fruit and vegetable markets acted under license, such licenses to be issued only under certain conditions respecting commission charges and business methods,” and the Report goes on to state that,—

“There is no doubt that the distant grower needs some measure of protection, such as we have proposed, and we consider that failing satisfactory action from within the industry itself, pressure should be brought to bear by representative associations of growers in the direction of securing legislative action to safeguard the interests of the producer.”

These matters are mentioned here because similar practices have been found to exist in Ontario and other parts of Canada, and legislation of the kind referred to would appear to be necessary in Canada for the protection of the Canadian grower.

The findings of the Linlithgow Committee are referred to in the report of the Mackinder Committee, which after pointing out that the Linlithgow Committee was dealing only with the sale of "Home-grown" fruit proceeded to state,—

"It must not, however, be forgotten that the Overseas grower is thousands of miles from his market and quite unable, in his individual capacity, to supervise his sales. We therefore think it in the highest degree desirable that all possible steps should be taken to remove any grounds for suspicion on the part of the Overseas producer, and we look to see this achieved, partly by appropriate action on the part of the brokers themselves, and partly by the reassurance which producers should derive from the fact that their interests will be guarded by their representative in the United Kingdom."

The Mackinder Committee finds a practice among brokers in England handling overseas fruit to charge a certain commission plus a consolidated handling charge. This is similar to the practice in several cities in Canada. Upon investigation in England, it was found that only a portion of the handling charge was actually disbursed by the broker, and that the portion retained by him meant an additional profit of approximately 4 per cent of the selling price. As the general commission charged (on apples) is 3 per cent, the profit from the handling charge represents a higher percentage than the commission itself.

The Committee reports on this matter as follows:—

"One important broker has frankly admitted in evidence before us that on the commission alone he could not carry on his business and that he relied on the consolidated handling charge to meet other general overhead expenses. Whatever defence may be set up, however, for the total amount demanded from the grower for the sale of his fruit, and however legitimate a certain amount of averaging of out-of-pocket expenses may be, the present consolidated rate system is open to fundamental objection

"When, however, the principle of a per package profit, irrespective of sales price is introduced, a broker's interest may quite conceivably lie in the direction of encouraging shipments of quantities much in excess of those which can be disposed of to advantage. In such a case it is the grower who has taken the full risk of the market, as the broker is protected by a fixed remuneration. Mutual confidence, vital as a basis of trade, is thus largely destroyed.

"We recommend that the dealers and their organizations in the several ports should take such action as will clear their calling from the suspicion which is prevalent amongst overseas producers that they are making a deliberately hidden additional profit. They are as salesmen rendering valid and valuable service to the community and are fully entitled to adequate remuneration, but we are strongly of the opinion that consolidated handling charges should be capable of detailed and satisfactory analysis into the several items of out-of-pocket expenses and that such analysis should always be available to the shipper. Further we think that the commission should be sufficient to cover all other expenses incurred in connection with the business."

No evidence was offered or found of any "combine" operating in the export trade to Great Britain.

EXPORT TO THE UNITED STATES

A great deal of the export business to the United States is done direct by co-operative associations with brokers in different markets. There are certain brokerage firms operating in different markets in the United States, which are owned by or form part of combines of jobbing houses. This is a form of combination decidedly prejudicial to the interests of the grower. In some cases the employees of the brokerage house have been found to own stock in the jobbing house to which they sell the goods of the grower. This most reprehensible practice gives the employee of the brokerage house an interest in increasing the profits of the jobbing house. One of the principal examples of this type of so-called brokerage house forming part of a jobber-broker combination, is the C. H. Robinson Co., with offices in most of the principal cities of the United States. This Company is part of the so-called Nash organization of Minneapolis.

DISTRIBUTION IN OTHER PARTS OF CANADA

The West

A certain quantity of the Ontario crop is marketed in Western Canada. Until recently the two principal brokerage firms in Western Canada were operated in conjunction with and as parts of two combines of jobbing or wholesale houses, one chain being known as Mutual Brokers Limited, the other as Growers Sales Agency Limited. The Mutual Brokers' offices were operated as part of the Nash organization of Minneapolis, and the Growers Sales' offices functioned for the Canadian wholesalers who had been compelled in self-defence, as they said, to provide themselves with similar brokerage services. Following a complaint, made by certain growers, of a combine in the distribution of their product, the general manager for Canada and three provincial supervisors of the Nash organization and four of the Mutual Brokers Companies were in March 1926 convicted of conspiracy to defraud the growers and sentenced to fines aggregating \$200,000. In his summing up to the jury the trial judge condemned the jobber-broker principle, and partly as a result of this trial the Canadian jobbers, though no charges of conspiracy to defraud had been made against them, disbanded their brokerage organization. Following this trial and conviction, the Government pronounced against the jobber-broker connection as against the principles of our law. Nevertheless the Nash organization continues to operate Mutual Brokers Limited. The opinion of your Commissioner, formed after viewing the results of the operations of this organization, and supported by the testimony of Government officials, growers and persons in the trade, is that the continued operation of this jobber-broker combine is injurious to the growers, a menace to co-operation, and in the highest degree prejudicial to the interests of the Canadian wholesale trade, and your Commissioner strongly recommends the early enactment of legislation to deal with this situation. The text of the Government pronouncement against the jobber-broker connection is given in Appendix A to this report.

Eastern Provinces

A considerable quantity of fruit and vegetables produced in Ontario has for years been distributed in the Maritime Provinces. This is done largely by dealers, commission merchants or others who make up cars for various points. No evidence has been found of any "combine" among middlemen in this business which operates to the detriment of or against the interest of the public.

Montreal

A considerable quantity of the Ontario crop is distributed through Montreal by wholesale houses selling on commission. In addition, a fruit auction, which is conducted by the Fruit Auction of Montreal, Limited, disposes of quantities of Ontario apples.

Prices for domestic produce in Montreal are within certain limits regulated by six public markets operated by the City. These are Bonsecours, the largest and most central, and five district markets known as Antoine, Maisonneuve, Ontario Street, Rachel and St. Lawrence. These markets are open six days a week.

No evidence has been found of any "combine" in Montreal, but the business history of certain individuals operating small commission houses strongly suggests a practice of defrauding the growers. The number of these persons is not large, but their operations are harmful.

DISTRIBUTION WITHIN ONTARIO

Northern and Western Ontario

In Ontario, north and west of North Bay, while local supplies of fruits and vegetables are at times sufficient for the needs of the smaller communities, this is not usually the case, and supplies must be obtained from the more settled parts of Ontario. In some of the mining towns retail prices are comparatively high, and there is a very considerable spread between what the grower receives and what the consumers pay. This is due to a certain extent to absence of effective wholesale competition.

No evidence has been found of any "combine" in the distribution of fruits and vegetables in Northern and Western Ontario.

Central Ontario

The principal feature of the distribution system in Central Ontario is the conspicuous part played by the public markets. Where the municipal authorities have maintained adequate public markets little complaint is found among producers or consumers as to prices or distribution. In addition to regulating prices and preventing any undue combination, a market prevents the growth of an excessive number of middlemen.

The situation in such places is in marked contrast with that in Toronto, where facilities for public marketing have been reduced until they are now less than they were a century ago; and less than those of many cities in Ontario of from 12,000 to 20,000 population.

In Toronto the relatively few farmers with space on the St. Lawrence market are virtually in the position of privileged retailers. The volume of their one-day-a-week sales is insignificant compared with the total of retail transactions in the city, and they are able to demand the prices asked by retailers.

The gross profits made by retailers of fruits and vegetables in Toronto are considerable. Two factors contribute to this result:—

1. The ineffectiveness of the St. Lawrence Market as a regulator of retail prices.
2. Supplies of goods in wholesale quantities are so abundant in Toronto that retailers are able to purchase to advantage from the various competing commission merchants and farmers who are prepared to sell at considerably below the price which the Toronto consuming public is willing to pay. The retailer is usually trader enough to take the difference.

In order to determine the "spread" from producer to consumer in Toronto two surveys were made.

The first survey covered sales to retailers by commission dealers on the Toronto Fruit Market during the last week of October, 1925, the commodities including grapes, pears, peaches, celery, quinces, sprouts, apples, beets, tomatoes, peppers and onions. The average gross profit of the retailer was found to be 56 per cent of what the goods cost him (or 36 per cent of his selling price). The minimum gross profit on any one transaction was 20 per cent of cost, and the maximum 114 per cent of cost. The grower received the price paid by the retailer less the following deductions, which are expressed as a percentage of that price: Commission 12½ per cent, cartage 1.87 per cent, freight and express 14 per cent. That is to say, the grower received 71.63 per cent of the price paid by the retailer, which is the equivalent of 45 per cent of the price paid by the public.

The matter can be put another way. Out of every \$100 paid by the consumer the retailer retained \$36, the commission merchant \$9, the transportation company received \$10 and the grower got \$45. The cost of marketing was therefore one and one-fifth times the moneys received by the grower. That is a high cost when it is considered that the goods travelled a short distance, and passed through the hands of only two middlemen.

The second survey was made on July 17, 1926. The commodities covered included peas, beans, strawberries, cherries, currants, gooseberries, beets, carrots, cabbages, lettuce, tomatoes and potatoes. The gross profits of the retailer in this case varied from 12 per cent to 200 per cent on cost, with an average of 64 per cent on cost (or 39 per cent of his selling price). This is a high figure when it is remembered that the goods were bought in the morning and for the most part resold the same day.

Assuming that the commission, cartage and express charges were proportionately the same as in the previous case, the distribution of \$100 paid by the consumer was as follows:—

| | |
|--|----------|
| Retailer.. . . . | \$39 00 |
| Commission merchant for commission and cartage.. . . . | 8 75 |
| Freight or express.. . . . | 8 55 |
| Grower.. . . . | 43 70 |
| | <hr/> |
| | \$100 00 |

The cost of marketing was therefore \$56.30, or approximately 1.3 times the moneys received by the grower.

The system is evidently not efficient.

In the absence of any improvement in the marketing system the disparity between the price paid by the consumer and the money realized by the producer can only be reduced by adequate facilities for public marketing. The 12½ per cent commission of the commission merchant is a less important factor than the profit of the retailer.

The situation in Toronto is dealt with in more detail later.

London

London is well served by the best public market in Ontario. The market is centrally situated and easily accessible to farmers in the district desiring to market their produce. All available space is occupied when domestic fruits and vegetables are in season, and the facilities thus offered for public marketing are of advantage to producers and consumers.

The influence of good roads and mechanical transport in assisting in the marketing of the crop is seen on this market. During one morning seven growers' trucks were observed loaded with grapes, apples, peaches, and pears, coming from points as far east as Hamilton, Grimsby, Vineland and Port Robinson. Each truck carried on the average 500 baskets of various fruits, which were brought distances of over 100 miles to the city of London. As many

as 581 rigs and vehicles have been counted on the market in one day. The annual turnover is estimated at a million and a quarter dollars.

The principal wholesale firms in London discourage consignment business, preferring to buy outright from the growers. Two of the firms do a small amount of consignment business, consisting mostly of produce left with them by growers when business on the market is slow. The wholesalers are cautious of purchasing any large quantities of domestic fruit and vegetables at a time; for in the past they have been compelled to dump their surplus on the Toronto market in an effort to cut their loss.

The London area, which combines the facilities afforded by a public market, good roads, mechanical transport and the telephone, is an example of an ideal marketing system, whereby domestic fruits and vegetables from the surrounding district flow freely from producer to consumer with the maximum of benefit to those primarily concerned.

Brantford

Brantford is another example of a city with an excellent public market, which on market days is well attended by the growers and the public. As the population of the city is in the vicinity of 32,000 and the market is within a short distance of all parts of the city, purchases can be made with little effort.

There is no suggestion in Brantford of any discriminatory arrangement or combination in the case of domestic fruits and vegetables. In view of the free way in which domestic produce is brought to the city and disposed of on the public markets, this would be impossible.

The Brantford situation as to domestic fruits and vegetables may be said to be somewhat similar to that in London. A good public market, good roads, mechanical transport and the telephone play their respective parts, and these factors, combined with the city's proximity to the Niagara district and some of the finest market gardens in Ontario, assist in keeping prices to the consumer at as low a level as is reasonably possible, while enabling the producer, who attends the market, to obtain all that the consumer is prepared to pay.

Peterborough

Peterborough is a further example of a city in which a public market plays an important part in bringing producer and consumer together, and so keeping prices at a reasonable level. A nominal charge is made for selling on the market.

Hucksters constitute an important factor in the distributing system in Peterborough. In some lines of commodities, such as apples, grapes and potatoes, the hucksters do about 60 per cent of the business. There are no municipal regulations requiring hucksters to be licensed.

Three firms are in the wholesale fruit business in Peterborough. Consignment business is not encouraged, the great bulk of the business being merchandising. Purchases are made locally and also from the various co-operative associations and dealers in the Niagara and Grimsby districts. The weekly price lists of the more important co-operative associations and dealers are received regularly by the Peterborough wholesalers and the larger fruit stores. Purchases are also made from commission houses on the Toronto fruit market.

Speaking generally the wholesalers make a small profit only on local produce, a fair profit on domestic and imported fruits and vegetables, with, if anything, a larger profit on imported produce such as bananas and citrus fruits.

Peterborough affords an instance of the imperfect way in which the Toronto fruit market functions in gauging the price which the public is willing to pay. The unregulated dumping of fruit on that market by individual growers puts the price far below what the public is willing to pay. The public pays the price in the end; but the difference does not go to the producer, who, by clumsy and uncontrolled marketing, reduces his own profits; it goes to the middleman,

who knows what the public will pay, and asks that price. Of the various middlemen, it is usually the retailer, not the wholesaler, who makes the extra profit. This is well illustrated by the following table which shows sales made by one of the Peterborough wholesalers on the morning of July 30, 1925. The commodities were followed through to the consumer. The profits of wholesaler and retailer are given, expressed in percentages on cost. It will be noted that the different co-operative associations functioned more efficiently in estimating the price the consuming public would ultimately pay than the dealers on the Toronto fruit market were apparently able to do.

TABLE SHOWING SALES MADE BY W. J. OKE, WHOLESALER, PETERBOROUGH,
on the morning of July 30th, 1925

| Commodity | Unit | Purchased from | Cost per Invoice | Unit Express | Total | Sales by Wholesaler Price Sold to | Profit % of Cost | Sale by Retailer at | Profit % of cost |
|---------------------|---|--|------------------------|-----------------|--------------|---|------------------------|---------------------------|------------------------|
| Red Cherries..... | 11 qt. | Niagara Packers Ltd., July 29th, 1925 | 85 | 12 | 97 | 5/11's 1.05 N. Febbo..... 5/11's 1.05 Porter White..... | 8.2% 8.2% | 1.25 1.25 | 19% 19% |
| Red Cherries..... | 10/11 qt | Burlington Co-operative, July 28th. | 75 | 12 | 87 | 3/11's 1.05 Porter White..... 5/11's 1.00 Fitzgerald Co..... | 20% 15% | 1.25 1.20 | 19% 20% |
| Red Cherries..... | 11's | " " " | 85 | 12 | 97 | 5/11's 1.05 J. M. Heerd..... 3/11's .95 H. Allen..... | 8.2% loss | 1.25 | 19% |
| Black Cherries..... | 6 qt | " " " | 1.15 | 06 | 1.21 | 3/6's 1.40 Pringle & Co..... | 15.7% | 1.60 | 14% |
| Tomatoes No. 1..... | 11 qt (15 lbs) | Niagara Packers Ltd., Grimsby | 2.75 2.75 | 12 12 | 2.87 2.87 | 3/11's 3.00 Pringle & Co..... 3/11's 3.00 Porter White Co. | 4.5% 4.5% | (average) 25c. per lb | 25% 25% |
| Peaches..... | 5/6's (8 lbs) Box 7 doz. 7 doz. | " " " | 1.50 1.50 | 06 06 | 1.56 1.56 | 1/6 1.75 H. H. Howden..... 5/6 1.75 Pringle & Co..... | 12% 12% | " " | 14% 14% |
| Cantaloupe..... | Crate of 15 | W. J. McCart & Co., Ltd., Toronto | 1.85 1.75 | 20 20 | 2.05 1.95 | 2 B's 2.25 N. Febbo..... 1 B's 2.25 Fitzpatrick Co.... | 9.7% 15% | 4.20 (5c each) | 88% 88% |
| Thimbleberries..... | 1 qt | White & Co. Ltd., Toronto | 2.00 | 20 | 2.20 | 1 c 2.40 Pringle & Co..... | 9% | (average) 25c each | 56% |
| | | Niagara Packers Ltd., Grimsby | 20 20 | 02 02 | 22 22 | 27/1's 22 Simmons & Co.... 27/1's .21 Porter White..... | none loss | (average) .95 .25 | 13% 19% |

(approximate only).

Ottawa

Ottawa is fairly well served with public markets, of which there are three; a main market, called By Ward, in the centre of the city, and two smaller markets in the west and south ends. These are all used by the growers in the vicinity of Ottawa and liberally patronized by the public.

The markets have an appreciable influence on the fruit and vegetable marketing situation in the city, and assist in keeping prices at a medium level throughout the city. During the time when domestic fruits and vegetables are in season the markets regulate to a considerable extent the prices of the retailers to the medium class trade. Prices to the more exclusive trade are not affected to the same extent.

The markets are owned by the city, and all growers and hucksters have permanent stands which are sold to them annually by auction.

In Ottawa the wholesale distribution of fruit and vegetables is mainly effected by auctions, although there is a certain amount of commission and wholesale business. There are three auctions, operated respectively by Dominion Fruit Exchange, Limited, Allan Soper & Company and M. Raport, Limited. The last mentioned company is managed by M. Raport, who is an undischarged bankrupt.

The commission charged growers or shippers on the auction of the Dominion Fruit Exchange is $12\frac{1}{2}$ per cent plus a handling charge. This seems a very high charge for an auction. The average auction charge in the United States is considerably below this. The charge at the auction of Allan Soper & Company is from 10 to $12\frac{1}{2}$ per cent according to agreement. There is no handling charge.

Hamilton

The principal feature in the distribution in Hamilton of domestic fruit and vegetables is the part played by its excellent public market.

The market is to all intents a six-day market, being open every day, Sundays and holidays excepted, from July 1 to October 1, and thereafter on Tuesdays, Thursday and Saturdays. The market is conveniently located in the business section. Car lines from all parts of the city converge within two or three blocks of the market. It is not too remote from the residential districts, other than the east end, where there has been an agitation for some years for the establishment of a new market to serve that district. Practically a whole block is given over to the market, but in spite of this fact there are some eighty producers on the waiting list for stalls.

The Hamilton market is both a wholesale and retail market. From about 5 a.m. to 8 a.m. sales are mainly to buyers for the different stores. Retailers and consumers patronize the market to such an extent that they purchase little from the wholesale trade. There is practically no consignment business done by the wholesale dealers in Hamilton.

Toronto

Toronto is the principal absorbing centre for fruits and vegetables produced in Ontario. It is surrounded by a fertile country supporting many market gardens, and is within easy access of the Grimsby-Niagara district. Transportation is rapid by road, rail and boat. The average spending power of the consuming public is as high as anywhere in the province, and in addition to heavy buying by the public, purchases are made for other places in Ontario. Summer hotels draw largely from the same source and jam and canning factories and other large buyers keep in constant touch with the Toronto market and obtain there a considerable percentage of their supplies.

Under these circumstances it might be expected that the distribution system would operate with a maximum of efficiency, gauging with fair accuracy the

price which the public would be willing to pay and returning to the grower a sum within a reasonable range of it. In practice it is not always so.

Various causes contribute to the imperfect functioning of the distribution system in Toronto. Chief among these are—

- A. The absence of adequate facilities for public marketing in Toronto;
- B. Conditions and practices on the wholesale fruit market (known as the Toronto Fruit Market).

A. THE ABSENCE OF ADEQUATE FACILITIES FOR PUBLIC MARKETING IN TORONTO

Toronto has now the smallest public market of any city of any size in Ontario, and its effect upon retail prices is insignificant.

Judged by the standards of other cities, Toronto could support several large and modern public markets located conveniently in the North, East and West. There has been considerable agitation from farmers for an increase of marketing facilities. These efforts have not resulted in any action by the city, and it has been left to the rural municipalities to establish markets for the citizens on property outside the city limits. The Council of the Township of York has recently established a flourishing market on Yonge Street immediately north of the city limits, and proposes to establish a further market to serve the Danforth and West Toronto districts; while representatives from the Township of Etobicoke, after having failed to obtain concessions from the city, have inaugurated a wholesale market at the Humber.

A resume of the history of the three markets which Toronto had at one time will show that as the city expanded, market facilities, instead of keeping pace with that development, have been restricted. Instead of three, there is now only one public market, and that market is a fraction of its former size. The three historic markets of Toronto are St. Lawrence Market, St. Andrew's Market and St. Patrick's Market.

St. Lawrence Market—

Some time prior to 1803 the Executive Government set apart a block of land $5\frac{1}{2}$ acres in extent (being the land bounded by what is now known as Jarvis, King, Church and Front Streets) for a market place for the town of York. On the 7th October, 1803, this market square, as it was then known, was by patent from the Crown granted to the Hon. Peter Russell, Henry Allcock, Aeneas Shaw and John McGill, as trustees "for the use and benefit of the public." In 1831 by an Act entitled "An Act for vesting in trustees the Market Square in the Town of York for the benefit of the inhabitants of the said town," the property was transferred to the Church Wardens; and in 1834, when the Town of York became the City of Toronto, the incorporating statute provided that the Market Square should be vested in the City of Toronto "to hold forever to and for the public uses of the said city, to be superintended and managed as the said city by act of council shall or may from time to time direct."

It is under this Act that the city still holds the $5\frac{1}{2}$ acres which a century ago were set aside to be used for market purposes. The words "to and for the public uses of the said city," declare the purpose for which the land was given to the city. The phrase "public use," which has been judicially defined, means a use which concerns the community, as distinguished from a particular individual, or a number of individuals.

The present use to which this land is put and the small area retained for a farmers' market appears from the following plan:

Script. & seen this morn &
 703 Temple Bldg,
 Toronto.

In 1897 an agreement in writing was entered into between the city and the County of York, whereby in consideration of the county removing highway tolls, the city agreed not to charge a fee to the farmers attending the market. Theoretically the space on the North St. Lawrence Market is free to any farmers who care to attend, but in practice under the present arrangements farmers are, to all intents and purposes, able to retain their stalls, provided they are in place by 8 a.m. At times the market is so crowded that farmers are forced to use the sidewalk on West Market Street and to sell from their wagons on the street. These facts and the small size of the market put farmers who have stalls in a privileged position. Stalls are highly prized, some farmers selling as much as \$200 worth of goods on a Saturday.

South St. Lawrence Market—

South of Front Street, on the property formerly occupied by the City Hall, bounded on the east by Jarvis, on the west by West Market Street, and on the south by Esplanade Street, the city has established what is known as South St. Lawrence Market. This is not a public market in the ordinary sense of the word; for save for a small space given over for use as a "basket area," the whole of South St. Lawrence Market is leased to retail and wholesale traders in meat, poultry, fish, fruit and vegetables. Space in this market is highly prized by retailers. The "basket area" above referred to may be used by farmers or their wives, daughters or servants for the sale of butter, eggs or poultry, the produce of their farms.

The attendance of producers and "basket carriers" for June and July, 1926, was as follows:—

| | Producers | "Basket Carriers" | Total |
|-------------------|-----------|-------------------|-------|
| June 5.. | 193 | 58 | 251 |
| June 12.. | 178 | 60 | 258 |
| June 19.. | 180 | 59 | 239 |
| June 26.. | 185 | 50 | 235 |
| July 3.. | 190 | 62 | 252 |
| July 10.. | 152 | 49 | 201 |
| July 17.. | 172 | 54 | 226 |
| July 24.. | 190 | 55 | 245 |

An attendance of 250 farmers during the week in a city the size of Toronto means one farmer to 2,000 inhabitants. Ottawa has attendances during the week of over 1,250 or one vendor to 77 of the population; while London has 2,000 vendors or one to 30 of the population.

It has sometimes been stated in minimization of the St. Lawrence Market that it is attended principally by the rich, and a picture has been painted of people marketing in limousines. This is not a correct picture. Persons do attend in cars, but the most numerous class attending the market consists of people of moderate and humble means.

St. Andrew's Market—

In 1837, in response to a petition by certain inhabitants that land in the west end of the city be set aside for a public market, an Act was passed reciting that it was expedient and necessary to establish two markets. Under this statute St. Andrew's was established.

St. Andrew's Market consisted of the block between Richmond Street and Adelaide Street, bounded by Brant and Maud Streets. The Patent to the city provided that the land should be held in trust for the use and purpose of a public market, subject to such rules and regulations as might by law be made for the management of any other market in the city, and it was further provided that, if the city should alienate the land or use it otherwise than for a public market, then the grant should be null and void and the land should revert to the Crown.

There is now no market on these lands, nor has any market been substituted for the benefit of the inhabitants of the west end of the city. The

south part of the property is now used as a playground; the north part is occupied by city stables.

St. Patrick's Market—

The land to be used as St. Patrick's market, on the north side of Queen Street between John and McCaul Streets, was granted to the city of Toronto in 1837 and was accepted subject to a trust "to establish, keep and maintain the same as a public market for the benefit of the citizens of Toronto and others resorting thereto, and for the public sale of all such articles and things as may be brought to the same."

The land is not now used for a public market, part of it being used for retail stores.

It is said in explanation of the closing of St. Andrew's and St. Patrick's Markets that these places are no longer suitable for use as public markets. The growth of the city may have made it impossible for them to discharge the object for which they were created, namely, that of satisfying the requirements of the inhabitants of the west end, but no new markets have been established in their place, although there is little doubt that if modern markets were established, free from hampering restrictions, they would be well patronized by both the farmers and the public. To persons of humble means adequate public markets are a great boon.

DEMAND FOR OTHER MARKETS

North Toronto Market—

For some years the city maintained a small market on C.P.R. property near the North Toronto Station on Yonge Street. From time to time statements appeared in the press to the effect that the public did not patronize the market, and about a year ago it was discontinued by the city. Certain of the farmers, on the theory that the public would attend if more suitable accommodation were secured, continued the market in temporary quarters. The Market Committee of the County of York interested itself in the question, but being uncertain of the attitude of the city toward the market, and what regulations might be passed, the Committee finally established the market on Yonge Street immediately north of the city limits. This market which is now held every Saturday, opened Saturday, June 19, 1926. The attendance of farmers has been steadily increasing. On July 24 there were 47 farmers in attendance, or about one-fifth the number at the St. Lawrence market. To date all farmers wishing to attend have been accommodated, but if the attendance continues to increase the present accommodation will shortly be inadequate. Consumers attend in excellent numbers for a new and rather primitive venture not very conveniently located. At times the building and grounds are quite crowded and a brisk trade is carried on. A market gardener with a well assorted stock has reported sales of well over \$100 every Saturday; and a farmer whose business seems typical of that done by other farmers has stated that his sales have averaged \$65 every Saturday.

A comparison of prices on July 17 at the North Toronto Market with those existing in the retail stores shows that the consumer could on the average buy somewhat more cheaply at the North Toronto Market.

Humber Market—

The farmers and growers of garden produce in the township of Etobicoke have for some time endeavoured to bring about the establishment of a market in the west end of the city. On May 13, 1925, a deputation representing the Municipal Corporation of the Township of Etobicoke, accompanied by a number of vegetable and fruit growers of the township, appeared before the Board of Control in support of a request that the city permit the establishment of a trading market within the limits of the city adjacent to the Humber river. The Board approved the principle of the establishment of a trading market as requested, and referred the deputation to the Property Commissioner, in

order that the question of obtaining permission to use the land might be brought to the attention of the Harbour Commissioners and details of the proposition worked out. The Harbour Commission approved the application, subject to certain arrangements as to rent, sanitation, etc., but a deputation of commission merchants opposed the plan. On June 9, 1925, the Property Commissioner reported that a deputation had waited upon him protesting against the establishment of the market; and that in his opinion the matter was one of policy for the consideration of the Board and Council. No action was taken on this report. Meantime the farmers had established a market outside the city limits. This market caused such congestion on the highway that it had to be moved and a new site was found on the property of the Home Smith Company on the east bank of the Humber. The market (which is a wholesale market) is open daily, except Sunday and Monday. Tuesdays and Fridays are the busy days.

On Friday, July 23, 1926, growers' trucks commenced to arrive shortly after 4 a.m. The first buyer arrived at 4.50 a.m. By the time the market gates opened at 5.30 a.m. there was a number of growers and buyers waiting, and they continued to arrive after that hour. Altogether about 75 growers attended at the market, most of whom had heavily loaded trucks. A large number of buyers, apparently storekeepers or pedlars, attended. Most of the buyers came with trucks or cars and took their purchases with them. Sales were for cash. By 7.45 a.m. practically all the growers had sold their loads and departed.

B. CONDITIONS AND PRACTICES ON THE WHOLESALE FRUIT MARKET (KNOWN AS THE TORONTO FRUIT MARKET)

The wholesale distribution of home grown fruits and vegetables in Toronto is mainly centred in the hands of those firms which are fortunate enough to have space in the building known as the Toronto Fruit Market. These firms are largely members of the Toronto Wholesale Fruit Merchants' Association.

Toronto Wholesale Fruit Merchants' Association—

The Toronto Wholesale Fruit Merchants' Association is an association consisting of the following wholesale and commission dealers:—

| | |
|-------------------------|---------------------------|
| White & Co., Ltd. | Dawson-Elliott Co. |
| George Lister. | McBride Bros. |
| Stronach & Sons. | Manser-Webb Co. |
| Berry & Hamilton. | McWilliam & Everist, Ltd. |
| Peters, Duncan, Ltd. | Ontario Produce Co. |
| P. Cullotta & Co. | David Spence. |
| Clemes Bros. | Union Fruit & Produce Co. |
| C. S. Simpson Co., Ltd. | H. J. Ash. |
| W. J. McCart Co., Ltd. | A. A. McKinnon. |

It was organized by the Canadian Credit Men's Association, one of whose employees is its secretary. The association usually meets every second Wednesday. Its professed purposes are:

1. The exchanging of information regarding credits given to retailers, with the view of preventing losses to the members of the association.
2. The discussion of matters generally affecting the trade.

Various members of the association have testified that neither prices nor distribution are discussed at any meetings of the association, and that no action is taken by the association, as such, with a view to the regulation of prices or distribution. Arrangements, it is said, may be made by different members who participate in pool cars of imported produce as to what will be a fair price for resale, but that is the extent of any agreement; and the complaint of the mem-

bers is that such understandings are not always lived up to. There is no evidence of any combination or agreement among members of the association as such, with respect to prices or distribution of Ontario produce detrimental to the interests of producer or consumer.

Toronto Fruit Market—

From the point of view of the distribution of Ontario produce the important body of dealers consists of those firms who occupy space in the building known as the Toronto Fruit Market.

The Toronto Fruit Market consists of a building occupying an area of approximately 45,000 sq. feet (312 ft. x 150 ft.) on the north-east corner of Yonge and Esplanade. The property, which is bounded on the east by Scott Street and on the north by the Scott Street lane, is owned as to the westerly two-thirds by the Canadian National Railways and as to the easterly one-third by the City of Toronto. The city-owned portion was until 1924 under lease to the G.T.R. The building, which at one time was the Great Western Station, is owned by the Canadian National Railways.

Because of its convenient location and facilities and the fact that it is known as the wholesale centre, space in the building has a quasi-monopolistic value. It is the narrow funnel through which pass most of the domestic fruits and vegetables distributed to Toronto in a wholesale way. The building has for some years been too small for the volume of business sought to be transacted there, resulting in a piling together and confusion of shipments to which dealers attribute many of the clerical errors which occur.

Prior to 1916 space in the market was paid for by a fee on all goods handled on the market which did not arrive in Toronto on the lines of the Grand Trunk. About 1916 this system was done away with, and the various dealers who then had stalls in the Toronto fruit market were charged 15 cents per square foot for the space occupied by them, the total rental being \$3,200. This system lasted until 1919.

In that year the Toronto Fruit Auction Company Limited, a corporation which had originally been formed to conduct auction sales of consigned fruits and vegetables, but which had not carried on business for some years, obtained a five-year lease of the whole of the Toronto fruit market premises from the railway at a rental of \$4,000 per annum, the space being sub-leased at 19 cents per square foot to the dealers then occupying space on the market. This lease to all intents and purposes gave the Toronto Fruit Auction Company Limited a monopoly of the only convenient public terminal facilities for the wholesale handling of fruits and vegetables in Toronto. The taking of the lease in this way and the giving of sub-leases made it possible to exercise some control over the space, and to prevent any changes in tenantry which might be thought undesirable. The intention is seen from a resolution passed at the annual meeting of the Toronto Fruit Auction Co. Limited, held the 15th January, 1920, which reads as follows:—

“Any firm now occupying space in the fruit market or that may hereafter occupy such space, may not sell, transfer or sub-let their space, or allow any person, firm or corporation to occupy same without the consent of the Toronto Fruit Auction Co. Limited.”

Following this resolution an agreement was entered into between the Toronto Fruit Auction Co. Limited and those occupying space in the building providing that:

“We, the undersigned, hereby attorn to and become tenants of the Toronto Fruit Auction Co. Limited at the fruit market for one year from January 1, 1920, at a rental per annum as per schedule attached

... We expressly agree that we will not assign our rights as tenants, or sell, transfer or sub-let our space nor license or allow any person or company to use or occupy same without the written consent of the Toronto Fruit Auction Co. Limited, notwithstanding any statutory provision that may withhold for any reason seeming good to them. In the event of overholding hereunder we shall be deemed to be monthly tenants only."

The lease to the Toronto Fruit Auction Co. Limited expired in 1924, as did the lease from the city to the G.T.R., of the city-owned portion of the land. The C.N.R. has been unable to obtain a renewal of the lease from the city, and the lease to the Toronto Fruit Auction Co. Limited has not been renewed. The occupancy has, however, remained the same, the various dealers paying rent to the Toronto Fruit Auction Co. Limited and that company paying to the C.N.R. on the basis of the old lease.

Those now renting space on the Toronto Fruit Market from the Toronto Fruit Auction Co. Limited are:—

| Name | Sq. Feet | Rent Per annum |
|-----------------------------|----------|-------------------|
| H. J. Ash..... | 1,144 | \$217 36 |
| Jas. Barry..... | 1,053 | 200 00 |
| Clemes Bros..... | 1,274 | 242 06 |
| Dawson-Elliott Co..... | 903 | 171 57 |
| Manser-Webb Co..... | 1,000 | 190 00 |
| McBride Bros..... | 1,734 | 329 46 |
| W. J. McCart Co., Ltd..... | 1,419 | 269 61 |
| A. A. McKinnon..... | 1,023 | 194 37 |
| McWilliams & Everist..... | 2,452 | 465 88 |
| Peters, Duncan, Ltd..... | 1,300 | 247 00 |
| C. S. Simpson Co., Ltd..... | 1,768 | 335 92 |
| D. Spence..... | 1,155 | 219 45 |
| Stronach & Sons..... | 1,638 | 311 32 |
| Union Fruit Produce Co..... | 1,105 | 209 95 |
| White & Co., Ltd..... | 3,038 | 577 22 |

Dealers who are outside this building complain that space on the market is of great value; that dealers who cannot obtain accommodation there are under serious handicaps, and that if any of the occupants of the building go out of business, their space is usually divided between other occupants, instead of being open for competitive bidding as (as they allege) should be the case in public terminal facilities.

Supply

An outstanding feature of distribution on the Toronto Fruit Market is the abundant supply of domestic produce at certain periods of the summer. During these periods Toronto becomes a dump market and goods come in in great quantities by rail, boat and truck. Organization of the farmers is weak, and there is no regulation of supply to the market.

Gluts

During these periods the market is quite unable to cope with the situation; and the result is an abnormal decline in price. The benefit of the decline is not always passed on to the public, for the retailer, not the consuming public, has access to the Toronto Fruit Market, and the retailer invariably seeks to sell at the price which the consumer in his locality is prepared to pay. This price is often considerably higher than that which obtains on the glutted market; and the profit goes to the retailer. The situation would be different were there a reasonable number of public markets with facilities to handle such gluts. In

that case the glut would overflow to them, and the price paid on the public markets would regulate the prices in the retail stores.

Competition among Commission Men

Competition among those engaged in the consignment business on the Toronto Fruit Market is keen. The evidence is to the effect that the commission men do not know from day to day what supplies are to be received. There is no doubt that within limits this is the case, particularly in the periods of abundant supply. In these periods there is vigorous competition to dispose of the goods received. This results in—

- (1) Prices being lower than they otherwise would be;
- (2) Special terms being given to certain purchasers to keep their custom and the outlet which they afford.

Not only is there competition to dispose of goods, there is also competition of an active sort to obtain supply from the farmers; for the income of the dealer depends on the continuous receipt of goods from his growers; and no dealer cares to lose growers to his competitors. The different dealers are reluctant to offend or disturb their growers, particularly those whose custom they value; and it is the aim of each commission house, when making returns, to appear to do as well for the growers as its competitors. It is partly because of this that the system of "averaging" returns is so firmly entrenched on the Toronto Fruit Market.

Receipt of Consignments

The method of dealing with the receipt of consignments is fairly uniform in the different houses on the Toronto Market. One employee is usually in charge of receiving. It is his duty to check all shipments arriving and to make a record of them. Goods are received marked with the name or number of the consignor, but if they are not so marked it is the duty of the receiver to mark them.

Display of Consignments

After receipt at the Fruit Market consignments are arranged on the floor for the inspection of buyers. So far as possible each grower's consignment is kept in a separate pile. Nevertheless during the day, as intending buyers pick over the consignments and move the fruit, this order is disarranged. Emphasis is laid by the wholesalers on this fact in explanation of certain discrepancies, it being pointed out that when baskets from one pile have been moved to another the salesman may make an error in the name of the grower whose goods happen to be sold. This undoubtedly accounts for a number of errors.

Record of Sale of Consignments

The system of recording sales is fairly uniform. A lot record book, consisting of large sheets of squared paper, is kept by each house. The names of the different growers, with particulars of their shipments, are entered, each grower being given a separate square. As sales are made, (or at the end of the day) the particulars, as shown by the carbon copy of the invoice to the retailer, are entered on this record.

Advice to Grower

At the end of the day, post card or other advices are sent to the grower purporting to show the prices at which his goods sold. As will be shown later, when the subject of "averaging" is dealt with, these prices are often misstated. Once a week "Account Sales" are compiled for each grower, giving a recapitulation of the information contained in the post cards. These are mailed to the grower with a cheque in settlement.

Sales

Prices for any particular commodity may fluctuate widely during the day. Usually the best prices are obtained early in the day. Fluctuation may commence at any time, and may be due to various causes:—

- (1) Different commission houses with different quantities of the same commodity on hand altering prices from time to time to dispose of the surplus.
- (2) Different salesmen, even in the same commission house, selling at different prices.
- (3) A larger buyer is in a position to demand and obtain a lower price.
- (4) Many of the goods have no standard grading and may vary considerably in quality.

From this it will be seen that fluctuations are normal and inevitable, and growers should realize that a dealer who reports sales of portions of the same consignment at different prices may have done all that was humanly possible with the shipment.

Cases of Agreement

Reference has been made above to the definition of a combine contained in section 2 (a) of the act. There are three practices on the Toronto Fruit Market which it has been alleged fall within the definition of an "actual or tacit contract, agreement, arrangement or combination." These are:—

- (1) The agreement as to the rates of commission to be charged on the market.
- (2) The agreement as to the levying of a cartage charge irrespective of whether or not there is any cartage.
- (3) The practice of making improper returns to the growers.

1. Agreement as to the Rates of Commission to be Charged

Complaints have been made by producers regarding the rate of commission of $12\frac{1}{2}$ per cent which is uniformly charged by dealers on the Toronto Fruit Market. It is admitted by some of the dealers (though it is on the other hand denied by certain others) that there is a tacit agreement to charge this rate of commission on less than carlot shipments. At one time the rate was 10 per cent. Some years ago this was raised to $12\frac{1}{2}$ per cent.

The following table gives certain information bearing on this question with respect to five firms operating on the Toronto Fruit Market in 1924.

| | A | B | C | D | E |
|--|-------|-------|-------|-------|---------------------|
| 1. (a) Gross commissions charged expressed as a percentage on commission sales..... | 12.15 | 11.12 | 11.34 | 12.35 | 12.10 |
| (b) Cartage collected from growers expressed as a percentage on commission sales..... | 1.30 | .94 | 1.16 | 1.22 | 1.35 |
| (c) Total of commissions and cartage collected, expressed as a percentage on commission sales..... | 13.45 | 12.06 | 12.50 | 13.57 | 13.45 |
| 2. Gross profit on sale of goods owned by firm, expressed as percentage on merchandising sales..... | 3.04 | 5.14 | 3.95 | 4.68 | 7.41 |
| 3. Total of commissions, cartage and gross profits made on sales expressed as a percentage on total sales..... | 5.41 | 7.30 | 6.15 | 9.47 | 8.55 |
| 4. (a) Expenses (other than returns and allowances) expressed as a percentage on total sales..... | 8.03 | 5.80 | 5.80 | 12.15 | 6.86 |
| (b) Returns and allowances expressed as a percentage on total sales..... | .86 | 1.08 | .35 | .05 | deducted from sales |
| (c) Cost of doing business, expressed as a percentage on total sales..... | 8.89 | 6.88 | 6.15 | 12.20 | 6.86 |
| 5. Salaries paid to shareholders or owners expressed as a percentage on total sales (included in 4)..... | 1.39 | .75 | 1.32 | 1.19 | .86 |

The following observations are made in this connection:—

1. The commissions charged gave percentages of gross profits in most cases more than double the greatest percentage trading profit of the five firms.
2. Cartage collected from growers adds from .94 to 1.35 per cent of commission sales.
3. The gross sums charged for commission in the year in question ran from \$10,000 to approximately \$44,000.
4. The sums collected from the growers for cartage ran from \$1,000 to \$3,800.
5. The firms which had trading losses on the year's business suffered their losses in merchandising transactions and not on consignment business.
6. Some firms are much more generous with "allowances" to retailers than others.

The cost of operation of the commission portion of the business is somewhat higher than that of the merchandising portion; but after making all allowances on this head it is apparent that the commission of $12\frac{1}{2}$ per cent affords a thoroughly reasonable remuneration, apart altogether from the cartage charge. When the cartage income is added to that from commissions, the remuneration is sufficiently generous to entitle the growers to the most careful and scrupulous accounting; and to make practices by which moneys are secretly withheld from the grower appear peculiarly flagrant.

2. Agreement as to the levying of a Cartage Charge irrespective of whether or not the goods are delivered

The practice of levying a cartage charge irrespective of whether or not the goods are delivered by the commission dealer to the retailer is admitted by the dealers on the Toronto Fruit Market. When the cartage charge was first introduced some years ago certain producers were so incensed that a boycott was organized. This did not last long, and this charge has since been continued.

There are firms outside the Toronto Fruit Market which do not make this charge, and some firms on the market which do not always make the charge. Occasionally in the case of certain large growers cartage is charged, but at the end of the season it is rebated by cheque.

The cartage charge is supposed to be uniform, but it varies in small particulars with different firms. The following are the rates usually charged:

| | |
|--|--------------------|
| One 6-quart basket..... | $\frac{1}{2}$ cent |
| One 11- or 16-quart basket..... | 1 cent |
| One 24-, 27- or 36-quart basket..... | 2 cents |
| Bushels..... | 3 cents |
| Bags, barrels, large crates and boxes..... | 5 cents |
| Green vegetables, per dozen..... | $\frac{1}{2}$ cent |
| Cabbage, squash, etc., per dozen..... | 2 cents |

In justification of the practice of charging whether delivery is made or not, the dealers point out that the above rates are insufficient to pay the cost of actual delivery. For example: a maximum load of 11-quart baskets on a large truck is approximately 250; at the above rates this pays \$2.50, which is less than cost.

Your Commissioner has enquired into the actual cost of cartage of five representative firms in 1925. The figures are as follows:—

| | R | S | T | U | V |
|---|-----------|-----------|-----------|----------|----------|
| 1. Cartage expense including wages, depreciation, gasoline, etc..... | \$ 15,478 | \$ 11,626 | \$ 11,276 | \$ 6,889 | \$ 2,553 |
| 2. Collected from growers for cartage..... | \$ 3,858 | \$ 2,578 | \$ 2,763 | \$ 1,109 | \$ 1,000 |
| 3. Ratio of purchase sales to total sales..... | 69% | 81% | 74% | 77% | 46% |
| 4. Ratio of cartage expense borne by firm to total cost of cartage..... | 75% | 78% | 75% | 84% | 61% |

These figures indicate that less was collected from the growers than they would have paid had the costs of delivery been divided between them and the firm in the ratio which the purchase sales bore to the consignment sales. It is therefore considered that the cost of delivery is apportioned fairly equitably when its operation over a period of time is considered, and that if a charge for cartage in addition to the commission of $12\frac{1}{2}$ per cent is reasonable, the growers have no serious cause of complaint on the ground that the charge is collected whether delivery is made or not. The cost of keeping track of cases of non-delivery would be considerable.

This conclusion is not to the effect that the cartage charge in addition to the commission of $12\frac{1}{2}$ per cent is reasonable, as to which your Commissioner has doubt; nor has it reference to cases where delivery to the purchaser is made by the grower or his agent. In such cases the dealer has no shadow of right to deduct a cartage charge; and the grower has his remedy at law. One such case brought to the attention of your Commissioner was that of a grower who teamed and loaded a carload of carrots. The carload was sold out of town by the commission dealer at 25 cents a bag, from which was deducted $12\frac{1}{2}$ per cent commission and 5 cents a bag "cartage." As the cartage had been done by the grower the 5 cent charge was improper and could not have been sustained in any Court.

3. The practice of making improper returns to the growers

The chief and most insistent complaint from the growers is that returns made to them by different dealers on the Toronto Fruit Market are not true; and some growers go so far as to suggest an agreement or understanding among the dealers not to render true returns.

Your Commissioner has found no evidence of an agreement or understanding to this effect, but he has found a well nigh universal practice of not reporting truly and accurately the prices at which the goods sold. Instead of true accounts being sent out some labour and ingenuity is used by many of the dealers in making up untrue accounts. This is against the law. It is the duty of an agent to make true accounts of his agency to his principal.

Cases in which the dealer's records do not disclose the disposition made of the grower's goods

Before dealing with the returns made to the growers, reference should be made to the practice of certain dealers in not making or keeping proper records of their transactions.

The law in this connection is expressed by two well known authorities as follows:—

"It is the duty of an agent to keep accurate accounts of all transactions and to be prepared at all times to produce them to his principal." Halsbury, Vol. 1, page 186.

"It is the duty of a factor to keep just and true accounts and to keep each sale distinct and separate from other transactions." Bowstead, page 156.

The accountants employed in the inquiry examined over 1,300 shipments to commission dealers on the Toronto Fruit Market for different periods in 1924 and 1925. In 23 per cent of the cases the records completely accounted for the disposition of the shipment; in 28 per cent of the cases a defined part of the shipment (such, for example, as pears in a shipment of both pears and plums) was accounted for; while in the remaining 49 per cent of the cases, no defined part of the shipment was fully accounted for.

Satisfactory explanations have been offered for certain of these discrepancies, such as occasional mistakes by salesmen in recording the name of the grower on the invoice to the retailer, or absence or illegibility of growers' names on the goods. A few more cases are accounted for by portions of shipments remaining unsold at the end of the period examined, but the majority of cases appear to your Commissioner to be instances in which either (a) records have not been properly made, or (b) records have been altered or destroyed. It is only proper to say that the records of some firms are better than those of others.

It is the practice of several firms to alter or erase, at or before the time the daily advice is mailed to the grower, the original pencil figures which have been entered in the lot record. In other cases "intermediate" sheets are used before the "official" lot record is made up, and these are not kept. Such practices are much to be deprecated and do not engender confidence.

In other cases original records, which are essential for a proper accounting, have been destroyed. One instance of this may be given. The attention of Mr. George Stronach of Stronach & Sons and of Mr. Anderson, bookkeeper of that firm, was drawn to the fact that the results of the accountant's examination of the records of that firm for the week ending September 12, 1925, was as follows:—

| | |
|---|---------|
| Total number of growers' shipments examined.. . . . | 288 |
| Total number as to which the quantities received agreed with those recorded as sold for the same grower.. . . . | 59 |
| Number partly reconciled as to quantities received and sold.. . . . | 77 |
| Number not reconciled as to quantities received and sold.. . . . | 152 |
| Cases of underpayment among those reconciled as to quantity.. . . . | 26 |
| Total of underpayments.. . . . | \$43 05 |
| Cases of overpayment.. . . . | 1 |
| Amount of overpayment.. . . . | 20c. |

Mr. Anderson's explanation of the few cases in which there was complete reconciliation as to quantities received from the grower and recorded on the sales slips as sold for him was that in the week in question one or more cars were made up by Stronach & Sons and shipped out for sale elsewhere; that the records of the growers whose goods were put in the different cars were on sheets of cardboard which "get tied in a bundle and just get thrown around"; and that the firm has no longer got these records.

Similar records are also missing dealing with the sale of growers' goods to Stewarts Limited, a unit of Canadian Cannery Limited.

Your Commissioner observes that while it is the legal duty of agents to keep proper records, there would appear to be no penalty for failure to do so, the principal being left to his somewhat expensive remedy of bringing an action for an account. It would seem desirable that the duty of the agent to make and keep records of transactions with the goods of his principal should be defined by statute, and that appropriate penalties be provided for cases of non-compliance. It must be remembered that the grower is largely in the hands of the commission merchant and to a certain extent unable to protect himself. He has neither the time nor the money to trace his shipments, to see whether he has received the full return on his goods, and a grower who makes too many inquiries may be subject to discrimination.

Cases of under or over-payment where records are complete as to disposition made of the goods

In the 646 cases in which reconciliation of quantities was made in whole or in part there were 113 cases of apparent underpayment, or one case in six, and 53 cases of apparent over-payment, or one case in twelve, the average under- or over-payment being about \$1 in each case. In some cases the under-payment

was of trifling amount, while in others it was substantial. The importance of the figures lies, however, not in the large or small amounts of the discrepancy, but in the fact that these discrepancies were brought about by reporting incorrect selling prices. The following examples will indicate the method:—

1. A shipment of 44 bushels of spinach was sold and remitted for as follows:—

| | | | | |
|---|--------|--------|--------|------------------------|
| | \$1.25 | \$1.00 | 75c. | Shortage |
| Sold at.. | 20 | 24 | .. | .. |
| Remitted at.. | 8 | 30 | 6 | \$4.50 |
| 2. A shipment of 14/11 asparagus was sold and remitted for as follows:— | | | | |
| | \$4.25 | \$4.00 | \$3.75 | \$3.50 \$3.00 Shortage |
| Sold at.. | 1 | 11 | 1 | 1 |
| Remitted at | 8 | .. | 6 | .. \$2.00 |

3. A shipment of 311 dozen corn which sold for \$10 was remitted for as \$15.55, an over-payment of \$5.55.

Where dealers feel at liberty to report fictitious figures of sales to their principals, the basis for confidence is gone, and there is no certainty where the practice will end. Without suggesting that substantial sums have been taken from the growers in the cases in which records have not been reconciled as to quantity, it is evident that if there were any disposition to defraud the growers the state of the records would permit this to be done with impunity.

Reasons advanced for under and over-payments

The explanations given by different commission merchants for this admitted practice of making under or over-payments are as follows:—

- (a) that what they underpay to one grower or group of growers they overpay to others;
- (b) that moneys are sometimes withheld to cover "allowances" made to retailers on account of the deteriorated condition of the goods;
- (c) that less money is sometimes paid to the grower than the goods sold for, to cover the "extra trouble" of delivering goods to certain customers or to "compensate" the dealer for having to wait for his money in the case of certain customers to whom time is given; or to "insure" the dealer against loss from bad debts;
- (d) that when sales are made to private individuals or when certain other exceptionally good sales are made, the grower is paid at "what the goods are worth," or at an estimated "market price," the difference being retained by the dealer.

(a) *Paying to one grower or group of growers the amount underpaid to other growers*

There is no legal justification for this practice. It is sometimes done to prevent neighbouring growers comparing their returns and finding supposed cause for complaint. One grower's goods may be sold early in the day, obtaining a good price, while another's may sell later for less. If pooling in such cases were agreed to by the growers, the practice would be proper; but the same grower's goods will not always be sold last, and accurate returns will in the long run average the inequalities of the market among the growers.

Some of the dealers say that they keep a daily record of the sums overpaid and underpaid to the growers, and that at the end of the season such amounts balance to within a few dollars. These records, unfortunately, had either been destroyed or they did not disclose the names of the growers. Under this system the overpayments are not necessarily made to those growers who were previously underpaid. In some cases part of the moneys from the sale of one grower's goods have been paid to new or large shippers to encourage them to continue shipping to the dealer in question. This practice amounts to an unlawful use

of other people's moneys to advance the business interests of the dealer, and emphasizes the fact that the only security of the grower against favouritism lies in true returns.

Notwithstanding the statement of some dealers that at the end of the season the total of underpayments practically balances with the total of overpayments, the figures of under- and overpayments quoted above suggest that underpayments do not always balance overpayments. The 113 cases of underpayments totalled \$112.60 and the 53 cases of overpayments totalled \$57.27 or a difference of \$55.33.

In the case of one firm (not among those whose 1,300 shipments have already been referred to) the lot record disclosed 117 cases of underpayment totalling \$175.05, and 11 cases of overpayment totalling \$9.32 in a period of six weeks; and further discrepancies against the grower were found between the lot record and the account sales.

Such a record appears open to a grave interpretation.

(b) *Withholding moneys to cover "allowances" made to retailers on account of the deteriorated condition of the goods*

In this connection there are three observations to make:—

(i) If the allowance was made before the despatch of the post card advice, or of the account sales, it was the duty of the dealer to show the allowance instead of concealing it. It is only when it is so shown that the grower can correct faults in his grading or packing, or change an agent who is making improper allowances.

(ii) If on the other hand no allowance had been made when the post card advice or account sales was mailed, the dealer had no right to deduct the amount from returns on subsequent shipments, without disclosing the fact to the grower.

(iii) In very few cases is there a proper system of keeping track of allowances. In some cases there is no documentary record at all; in others where allowances are shown there is nothing in the records to indicate on whose goods the allowance was made.

(c) *Retaining moneys to cover the "extra trouble" of delivery to certain customers; or to "compensate" the dealer for having to wait for his money in the case of certain customers; or, "to insure" the dealer against bad debts*

Secret retainers such as these, which are brought about by reporting untrue sale prices, are illegal, if not criminal. A cartage charge is deducted from all returns, and the dealer has no right to make a further secret deduction for the "extra trouble" of delivery to restaurants up two or three flights of stairs, or to customers whose premises are otherwise inconveniently situated.

Nor are the "compensation" and "insurance" deductions permissible unless disclosed. When it is remembered that the commission of $12\frac{1}{2}$ per cent plus the cartage charge gives the dealer a gross profit twice as great as he makes in ordinary trading, the justification for such charges is difficult to see.

It should be pointed out that insurance against bad debts is one thing, while actual losses from bad debts are another. In practice, so far as the account sales indicate, the dealer assumes the risk of losses from bad debts; for deductions on this account are not shown. As a matter of law the dealer is probably not obliged to bear such losses; but, if for fear of offending the grower and losing his custom, he decides not to disturb the grower's belief that he is bearing such losses, he has no right to pass the loss on to the grower secretly by means of untrue returns.

(d) *In the case of sales to private individuals, or when certain other exceptionally good sales have been made, paying the grower "what the goods are worth" or an estimated "market price", the difference being retained by the agent.*

The testimony of one of the dealers, who was asked why a certain grower had not been paid what the goods sold for, was as follows:—

Q. The grower is entitled to all you get?

A. If we sent a card out to a man like that, saying that this basket sold for that and this one for less, we would get a letter back from that man as long as your arm, full of complaints, asking why these two were not sold for the same price as the other one. I will tell you how it has happened. One of the salesmen has sold a basket to a man for more than it was worth, he has sold it at the retail price.

There are other instances of remittance being made at an estimated price; as for example when specially good sales were made to railway companies, or to hotels and other customers who do not haggle too much over the price.

There is no legal justification for any such practice; for the grower is entitled to all moneys realized from the sale of his goods. It seems an extraordinary matter that any dealers should appear to be under the impression that they should have the right to remit in this way; or should attempt to put forward such grounds to excuse or justify their returns.

Specific cases of underpayment

The explanations of the dealers for certain of the specific cases of underpayment reported by the accountants are given in Appendix B.

Other instances of improper returns

Two other instances of improper returns may be given:—

- (a) The practice of "averaging" prices to the grower.
- (b) The practice of concealing the fact that the goods have been "bought" or "taken over" by the agent.

(a) Averaging prices to the grower

The practice of averaging prices to the grower must not be confused with the so-called practice of "averaging prices between growers," which has already been referred to. The following is a case of averaging prices to the grower: A shipment of 20 baskets of peaches selling as follows is reported to the grower as follows:—

| | \$1 | 75c. | 65c. | 50c. |
|-----------------------|-----|------|------|------|
| Sold at.. | 1 | 10 | .. | 9 |
| Reported at.. | .. | .. | 20 | .. |

In this case the grower gets all the goods sold for; but obtains an incorrect idea of the market.

The dealer even goes so far in some cases as to average returns between different commodities. For example, a dealer was asked to explain an apparent underpayment to a grower on some gherkins. The testimony is as follows:—

Q. In the case of G. H. Horne, 6 six's gherkins sold for how much?

A. \$1.25.

Q. What did you remit at?

A. \$1.00.

Q. Why?

A. I could not say.

Q. How did the plums come off? You have 57 on that day.

A. It is possible that some sold for less. It might have been a difference all through.

Q. You would not take money from the gherkins and apply it on the plums?

A. Not as a general rule, but it might have been done. If the plums sold at 25, 30 and 35 they would all average together.

When returns are made in this way the information the grower gets is not only valueless, it is misleading.

(b) The practice of concealing the fact that the goods have been "bought" or "taken over" by the agent

No agent is permitted to purchase the goods of his principal without full and fair disclosure. In some cases "purchases" are made each night by the dealer of the goods remaining unsold. This is to permit the grower being advised that night that all his goods have been sold. The practice is irregular.

The matter is more serious when comparatively large quantities are taken over by the agent for car-lot shipments to out-of-town points; and failure to keep records in such cases is a practice to be condemned. One merchant testified as follows in this connection:—

Q. When I was down at your office I was asking you about car shipments out of town and I understood you to say that you would have many shipments out each year on consignment?

A. No, just certain seasons. During the glutted season. Some seasons we do not have a glut at all.

Q. What is your practice on car shipments?

A. We try to get back the covering price, to the point where we are shipping, and we make allowances to the fruit farmer for the amount.

Q. Do you buy them in yourself?

A. Yes.

Q. If you make any money?

A. We hold it. And if we don't we are out. I do not know any time in all the last five or six years that we have made money on stuff like that. On an odd car we might get a few dollars ahead. It is more to clean up than anything else. It helps the grower, and we are able to give him a clean sheet on the stuff he has shipped. In other words, it is good advertising.

Q. Do you consider you are entitled to buy from the grower yourself?

A. In a case of that kind, I think we are.

Q. Without getting his consent?

A. Quite often we get his consent.

Q. You get it always?

A. Not always, I have called up shippers and told them the condition of the market and told them I was going to take a chance and told them the price I was going to allow them for their produce and they would say: "All right, George, go to it."

Q. What about cases where you do not get their consent?

A. I have never had any kick.

Q. They would not know.

A. Yes, quite often. I would tell them exactly what I had done. It is no secret at all.

Q. What commission do you charge on these transactions?

A. The same commission.

Q. Do you tell them you have made any money on the shipment yourself in addition to your commission?

A. I cannot hardly recollect a case where I have been able to tell them that I have made any money.

Q. There are cases?

A. There may have been but I would not like to say there was not.

Q. You would make up your car and ship to Masson and Company or Hart and Tuckwell, Montreal, or to Gamble Robinson?

A. These are the largest men that handle the stuff. Masson and Gamble Robinson in the North are the only people to whom you can ship. I have shipped some to the Dominion Fruit Company, Ottawa.

Q. Anybody else?

A. No, that is all I can think of.

Q. You make your car up and estimate the price you will get for it after a telephone conversation with them.

A. Not always.

Q. You have telephone communications with Montreal?

A. Yes, and we find out what the market is.

Q. Then you make a remittance to the grower at the estimated price?

A. At the price I think I will net.

Q. Less your 12½ per cent commission?

A. Yes.

Q. Less your cartage charges? Which you say is not a cartage charge but an extra commission?

A. Yes, that is how I look on the cartage charge.

Q. Then if you make any money over and above the price remitted to the grower that belongs to you?

A. That helps to balance up on some where we would not get as much as we expected to. I do not remember of any case in the last number of years, in fact at any time, where we ever made any money.

Q. Do you keep any records in respect to these shipments?

A. No, there is no record kept of that.

Such testimony shows a shocking lack of appreciation by the commission dealer of his duties, and the responsibilities of his position. The practice of not keeping records in the case of these shipments is most strongly to be condemned.

Another example of an improper "purchase" may be given. The matter was brought to the attention of your Commissioner by a complaint from a grower that he had received 18 cents net for 82 dozen ears of corn (8 bags), his account sales reading as follows:—

| | | |
|---|--------|-------|
| Eight bags corn 20 cents.. | \$1.60 | |
| Less: | | |
| Freight (or express charges).. | .98 | |
| Delivery charges, 3 cents a bag.. | .24 | |
| Commission 12½ per cent.. | .20 | 1.42 |
| | | <hr/> |
| | | .18 |

The account sales bore the following notation:—

"Corn receipts in market so heavy that practically unsaleable, and as it was heating we could not keep it."

On investigating this transaction it was found that the commission merchant had taken 106 bags corn belonging to seven growers and shipped it to his farm at Palmerston to be used as hog feed, putting an arbitrary price of 20 cents a bag on the lot.

The corn of the following growers was treated in this way:—

C. J. Appleby, Clarkson.
A. Weaver, Port Credit.
J. A. Gill, Port Credit.
E. G. Elkin, Waterford.
W. Sutton, 317 Spadina Ave., Toronto.
R. Taylor, Port Credit.
G. C. Atkins, Bronte.

The following correspondence passed between the firm and the farm in connection with this shipment:—

Sept. 3, 1925.

DEAR HUTCHINSON:

We shipped you to-day 106 bags of corn, which no doubt you can use for hog feed. This corn was practically no use to us and it was a pity to waste it. Mr. Stronach says if you will bring it up from the station and dump the bags and spread the ears about, it will prevent it from heating and it will dry out and make dandy feed. You could probably use some of it right away.

Hoping you can use the corn all right.

Sincerely,

ANDY.

PALMERSTON, Sept. 7, 1925.

DEAR MR. ANDERSON:

We got the corn all right, and I dried fifteen pounds of it for soup. It was perfectly sweet. The hogs are enjoying it, also the cows and they are giving more cream . . . Dan says don't let anything go to waste down there as there are lots of mouths to fill here.

Yours truly,

MRS. D. HUTCHINSON.

The reason advanced for this disposition of the corn was that there was a glut on the market, and this was done to get rid of it. As for the price returned, it was somewhat flippantly stated that 18 cents was "better than nothing at all." Even assuming the bona fides of this explanation, a deduction of "delivery charges" and "commission" from a purchase was an outrage.

Public Markets

Public markets have been in existence from time immemorial; and are to-day an important supplementary method of retailing foodstuffs in the principal cities of the world. London, Paris, Berlin, Hamburg, Budapest, Vienna, Tokio and Yokohama have open air public markets. Many cities in America have one or more public markets, but economic conditions, and in some cases special interests, have eliminated the public market from some cities.

Public markets are not agencies to replace other means of distribution of farm produce. They are supplementary agencies to aid in efficient distribution. Public markets are peculiarly valuable to the city dweller of medium or humble means, and to the small farmer. Large scale producers, although they also make use of them, are in a better position to select satisfactory agencies and to obtain desirable terms. From the point of view of the consumer, one function of the public market is to make available for choice larger quantities of fresh produce than can be found at local stores.

Where adequate public markets are maintained in any city they regulate the retail prices of domestic fruits and vegetables; and any immoderate disparity between the cost of city and country living is proportionately reduced. But where no adequate public markets exist, the retailer, even though he has purchased cheaply, is usually able to obtain comparatively high prices from the consumer. This latter situation is well illustrated in Toronto.

Toronto is a dump market to which goods are indiscriminately consigned by the growers. There is no single growers' selling agency, but goods are sent to many commission houses. The result is competition among commission houses to dispose of their consignments. This competition results in the retailers being able to purchase at much lower prices than the Toronto consuming public is willing to pay; but the saving is not usually passed on to the consumer. It becomes an additional profit of the retailer, for the consumer must buy, and he has no daily or tri-weekly market to go to. The high prices paid by the public and the high gross profits of the retailers of domestic fruits and vegetables in Toronto are directly attributable to the fact that the St. Lawrence Market is quite unable to serve the needs of a city the size of Toronto.

The provision of adequate facilities for public marketing will not result in the elimination of wholesalers, commission dealers or retailers, all of whom perform essential functions in the distribution system. But where adequate public markets exist, the middlemen are reduced to the most economic number. They exist because there is a normal demand for them, and not because an unnatural restriction of the free interchange of commodities between producer and consumer has created artificial conditions. Every restriction in public marketing adds to the number of middlemen. They may pay taxes to the city; but in the long run it is the citizens who supply the money not only for those taxes but also for the income and profits of the middleman.

Unorganized condition of growers

One of the main reasons for the low returns of the growers lies in lack of organization among growers and shippers. No existing organization, or group of organizations, appears capable of producing order out of the chaos in the marketing of the crop. Supply flows in waves to certain markets, swamping them from time to time. Local co-operatives, shippers and individual growers expend an immense amount of energy discussing and formulating plans in the interest of the industry, only to see them wrecked by shippers who do not live up to their undertakings, and who alter prices, give secret rebates, and make improper bargains with important jobbing interests.

One factor contributing to the failure of these ventures, in the direction of a sound plan of marketing, is uncertainty among growers and others as to the validity of agreements among growers and shippers on selling prices. When

there is a constant surplus production coming from a multitude of producers, as has long been the case in Ontario, it is economically impossible for growers and shippers to maintain unreasonable prices or prices which will restrict consumption. Shippers and growers are realists; their interest lies in selling the greatest possible quantity of a perishable product in a short season. This can only be done by popular prices.

Understandings to this end are reasonable and necessary. They are often arrived at, but are as often defeated by a few individuals who enter conferences with the object of taking advantage of those whose word can be depended upon. These breaches of faith injure the producers, and do not benefit the consumers; for secret rebates and deductions so given from original quotations are almost invariably retained by the jobber or retailer and are not passed on to the consumer.

A cardinal weakness in the present system of distribution lies in a selling method which results in goods being offered to the trade at prices far below what the public is prepared to pay, and eventually does pay. In such case the difference is absorbed as an extra profit by whichever type of middleman happens to be uppermost in the market in question. In places where the wholesaler or jobber is in control, as in the western provinces and the newer districts of Ontario, the wholesaler estimates the price the public will pay, and sells to the retailer at such prices as will allow the latter a reasonable profit on resale to the public. In this case it is the wholesaler who buys cheaply and profits by the lack of organization among producers. In other places, close to the source of production, the commission merchants are in competition with one another to dispose of the abundant supply which has been consigned to them; and the retailers are able to buy cheaply. Retailers who buy at prices considerably below what their local public will pay are usually able to profit accordingly. The results of the surveys in Toronto and other places already referred to sufficiently indicate that under such circumstances the retailer is the middleman who profits by the conditions existing.

There are powerful factors in the distributing, canning and other trades, which profit by this state of disorganization, some of which appear actively to have contributed to the breakdown of co-operative efforts, and to the maintenance of the existing conditions.

It is obvious that the producers unaided cannot put the industry on a proper basis. This has been recognized in certain European countries and among some of the States of the American Union. In these places there is a pronounced move in the direction of active governmental assistance in the organization of the growers and in the development of a modern and economical system for the marketing of agricultural produce. The problem has both national and provincial aspects. In its broad outlines it is a question of organization. Your Commissioner is convinced, as a result of this enquiry, that a Government Market Department, with sufficiently wide powers, could do much by a licensing system and in other ways to introduce a healthy tone in the marketing of fruits and vegetables, and to eradicate abuses which reputable growers, shippers, commission merchants and others are unable to remedy, but in the removal of which they would be prepared to co-operate.

PART III—FINDINGS

The findings of your Commissioner are:—

Combine

1. That with the exception of the Nash jobber-broker combine, which continues to operate in Manitoba, Saskatchewan, Alberta, and British Columbia, and which handles a portion of the Ontario crop, no evidence has been found of any "combine" in Canada prejudicial to the interest of the public in the distribution of Ontario fruits and vegetables; but that (a) the denial of adequate market facilities in Toronto has resulted in giving the commission houses occupying space on the Toronto Fruit Market a quasi-monopolistic control of the distribution of the domestic fruits and vegetables distributed in and through Toronto, otherwise than by farmers or truckers direct to retailers; and that (b) such control has been accompanied by irregular practices in making returns to the growers, the extent of which it is impossible to estimate, in view of the fact that in many cases the existing records do not permit a complete accounting to be made; and that (c) the records suggest that the irregularities are more pronounced in the case of some firms than others.

2. That the jobber-broker combine, as operated in Canada by the Nash organization of Minneapolis, is a vicious form of trade combination, which is prejudicial to the interest of the growers and to the Canadian wholesale trade.

Public Markets

3. (a) That in well-organized communities close to the source of supply the public farmers' market is either the principal medium for the sale and purchase of domestic fruits and vegetables, or it is an active supplementary medium.

(b) That, speaking generally, the difference between the price paid by the consumer and the moneys received by the producer progressively increases as facilities for public marketing decrease.

(c) That in places where adequate facilities for public marketing exist, prices on the farmers' market regulate prices in the retail stores; but that where inadequate facilities for public marketing exist prices on the market follow prices in the retail stores; and

(d) That where adequate facilities for public marketing exist a relatively small percentage of the crop is handled by wholesalers or commission dealers, the retailers in such places commonly purchasing direct from the growers.

4. That the following cities of Ontario rank in the order named in providing facilities for public marketing:—

| City | Population 1921 Census | No. of farmers' Markets | No. of days open per week from 1 July to 1 October | Approx- imate sq. ft. area of farmers' market | Sq. feet area available for sale of fruit and vegetables by farmers or hucksters |
|---------------------|------------------------------|-------------------------------|---|--|--|
| Chatham..... | 13,256 | 1 | 6 | 300,000 | 300,000 |
| Ottawa..... | 107,843 | 3 | 3 | 235,000 | 235,000 |
| Kitchener..... | 21,763 | 1 | 2 | 135,000 | 135,000 |
| London..... | 60,959 | 1 | 6 | 104,000 | 104,000 |
| St. Thomas..... | 16,026 | 1 | 2 | 50,000 | 46,000 |
| Hamilton..... | 114,151 | 1 | 6 | 90,000 | 74,000 |
| St. Catharines..... | 19,881 | 1 | 3 | 70,000 | 70,000 |
| Brantford..... | 29,440 | 1 | 3 | 69,696 | 40,000 |
| Belleville..... | 12,206 | 1 | 6 | 54,000 | 54,000 |
| Peterborough..... | 20,994 | 1 | 6 | 45,000 | 45,000 |
| Kingston..... | 21,753 | 1 | 3 | 40,000 | 32,400 |
| Toronto..... | 521,893 | 1 | 1 | 33,100 | 33,100 |

5. That the influence of the different public markets in the principal cities in Ontario in effecting distribution direct to the consumer appears from the following table:—

| City | Population 1921 Census | Vendors on public market, week ending July 17, 1926 | Inhabitants per vendor |
|---------------------|------------------------------|---|------------------------------|
| Belleville..... | 12,206 | 550 | 22 |
| Kitchener..... | 21,843 | 750 | 28 |
| London..... | 60,959 | 2,000 | 30 |
| Chatham..... | 13,256 | 300 | 44 |
| St. Catharines..... | 19,881 | 375 | 53 |
| Brantford..... | 29,440 | 500 | 58 |
| Peterborough..... | 20,994 | 300 | 69 |
| Kingston..... | 21,753 | 290 | 75 |
| Ottawa..... | 107,843 | 1,383 | 77 |
| St. Thomas..... | 16,026 | 150 | 106 |
| Hamilton..... | 114,151 | 732 | 156 |
| Toronto..... | 521,893 | 226 | 2,300 |

"Spread" between Producer and Consumer.

6. That where considerable discrepancies exist between the price paid by the consumer and the moneys received by the producer the difference goes to the retailer rather than the wholesaler, except in places in which there is an absence of effective wholesale competition.

7. That in the mining districts and other places remote from the fruit and vegetable growing parts of the province, where domestic fruits are to all intents and purposes "imported" by the wholesalers, prices to the consumer are considerably higher than in other parts of the province; and that this is to a certain extent due to the absence of effective wholesale competition.

8. That surveys made in Toronto indicate that out of \$100 paid by the consumer for domestic fruits and vegetables the retailer gets approximately \$36, and the producers \$45, \$9 goes to the commission dealer and \$10 to the express or other transportation company; that the retailers' gross profit of \$36 is excessive; and that the main reason for the abnormal "spread" in Toronto, and the correspondingly high prices paid by consumers, is the absence of adequate facilities for public marketing in Toronto.

Toronto (Wholesale Fruit) Market

9. That in the flush season of the Ontario crop commission dealers on the Toronto Fruit Market are unable to dispose of all the fruits and vegetables consigned to them; that large quantities of fruits and vegetables spoil and are destroyed; and that the provision of facilities for disposing of such surpluses direct to the consumer on the public market would result in a saving both to the grower and to the consumer.

10. That the building known as the Toronto Fruit Market contains the only convenient terminal facilities for handling wholesale quantities of fruit and vegetables in Toronto; that this building is inadequate and unfitted properly to perform its ostensible function in the distribution of the Ontario crop; and that adequate terminal and wholesale facilities at Toronto are a necessity.

11. That in 1919 all the accommodation in the Toronto Fruit Market was leased to one company (which sublets to certain dealers) but that it would seem advisable that accommodation in public terminals should either be open to all dealers, or else leased on some competitive basis to the different dealers who desire to obtain space.

12. (a) That there is a tacit agreement among commission houses occupying space on the Toronto Fruit Market to charge 12½ per cent commission plus

certain sums for cartage; (b) that the cartage charge amounts to an extra commission of over one per cent on commission sales; that this charge is made whether the goods are delivered or not; but that the sums collected from the growers for cartage over the year approximately equal the actual cost of delivery of goods sold on commission in the year; and that (c) the sums collected for commission and cartage give a gross percentage profit on commission sales which in some cases is double and in others is four times the gross percentage profit made by the same firms on merchandising transactions.

Grower-owned Agency

13. That the establishment of a properly operated, grower-owned commission agency in Toronto should result in improved service and a reduction of charges.

Records of Agents

14. That by reason of the present state of the law, the expense of civil proceedings, and the destruction or illegibility of records, producers are in many cases at the mercy of their agents; and that there are persons in various centres of distribution who take advantage of this situation to defraud the growers.

Assistance for Growers

15. That on the supply side, the marketing of the Ontario crop of fruits and vegetables is in a chaotic condition, and that the industry cannot reach a proper basis without such assistance as can be rendered by a Market Department with wide powers of inspection, licensing and regulation.

PART IV—RECOMMENDATIONS

The recommendations of your Commissioner are:—

1. That legislation be enacted making the jobber-broker combine unlawful.
2. That persons handling domestic fruits and vegetables on commission be required to make, and for a defined period to keep, proper and complete records of the disposition of goods entrusted to them for sale; and that it be made an offence to render false or misleading account sales or other similar returns.
3. That some proper official be given authority (a) to receive complaints from consignors of domestic fruits and vegetables; (b) to examine books and records of consignees; (c) to record fraudulent practices and bankruptcies of such persons, and (d) to take such action for the prosecution of offenders and the protection of the public as may be required.
4. That consideration be given to the creation of a Market Department with wide powers, for the purpose of co-ordinating co-operative and other shipping effort, disseminating reliable market information, and assisting the marketing of agricultural products on sound economic lines both in Canada and abroad.

LEWIS DUNCAN,
Commissioner.

PART V—APPENDICES

APPENDIX A

PRONOUNCEMENT AGAINST JOBBER-BROKER COMBINATION

(Extract from Hansard, Vol. LXI, No. 93, June 7, 1926, pp. 4256-4258)

Hon. J. C. Elliott (Minister of Labour):

In answer to a question asked by hon. member for Yale (Mr. Stirling) regarding jobber-broker combines, I promised to make a statement not later than to-day. With the permission of the House I submit the following statement:

Following a formal complaint under the Combines Investigation Act, a commissioner was appointed in July, 1924, to investigate an alleged combine in the distribution of fruits and vegetables in Western Canada. The Commissioner reported on the 18th February, 1925, to the effect that a combine—called for convenient reference a jobber-broker combine—was operating in Western Canada, and that its operations were against the interest of the public.

It appears that the supplies of Canada-grown fruit and vegetables consumed in the four western provinces come principally from the province of British Columbia. The grower, living in British Columbia and disposing of his products all the way from Calgary to Winnipeg, must have agents at the various centres to receive the fruit and vegetables, inspect them for quality and condition, and sell them to the jobbers, as the wholesale fruit houses are called in those provinces.

In 1906 and for some few years thereafter the system of distribution in Canada was from the grower, through his broker, to the different jobbers who sold to the retail trade, which in turn distributed to the consuming public. The jobbing houses, of which there were two or more in each town of any size, were for the most part independent of each other and in more or less friendly competition. Speaking generally and surveying Western Canada as a whole, distribution was made through many independent and competing jobbers. There was a free and uncontrolled outlet for supply.

The Nash organization of Minneapolis, which first entered Canada in 1906, and now operates a chain of jobbing houses throughout the west, introduced the principle of the jobber-owned broker about 1913. The Canadian jobbers, who have admitted the harmful nature of the principle, say that in self-defence they had to follow suit.

By reason of the introduction of the jobber-broker principle, the whole aspect of the distribution of fruit and vegetables in Western Canada changed. Instead of distribution being through many unallied houses, it is now principally through two chains of jobbing houses, namely, the Nash organization, and the remaining Canadian jobbers. Each of these has its chain of brokerage offices, that of the Nash being known as the Mutual Brokers, Limited, and that of the independents, as the Canadian houses are called, being known as the Growers Sales Agency, Limited.

The commissioner reported against the principle of the jobber-owned broker on the ground that it was an attempt to join in the one organization two opposing interests—the broker, whose interest should be solely that of the grower and to sell at the best price obtainable, and the jobber whose interest was to purchase at the lowest price and so make the largest profit and therefore was opposed to that of the grower; and he set out in his report instances in which the combine had operated detrimentally to the interest of the grower and others. Certain of these instances, which are set out on pp. 22 et seq. of the report may be summarized under the following heads:

- (a) Failure of the broker to sell to the jobber at the best price.
- (b) Attempts to keep the growers in the dark,—
 1. As to the prices at which their goods were sold.
 2. The persons to whom they were sold; and
 3. The allowances made to the jobbers on account of the alleged condition of the fruit on arrival.
- (c) False returns.
- (d) Secret profits.
- (e) Special rebates to Nash jobbing houses which were not given to Canadian jobbing houses.
- (f) Attempts to break up growers' co-operative organizations.

Following the report of the commissioner, indictments were laid against persons and individuals, charging inter alia (a) conspiracy to defraud; (b) offences against the Secret Commissions Act; (c) offences against Section 498 (the Combines section) of the Criminal Code; (d) offences against the Combines Investigation Act. The trial of the accused took place under counts (a) and (b), the counts under (c) being traversed to the next assizes, and those under (d) being withdrawn.

The trial resulted in the conviction of four individuals and four companies. The individuals were sentenced to one day each in jail and to a fine of \$25,000 apiece. The corporations were sentenced to fines of \$25,000 each. Both individuals and corporations appealed from their conviction and the crown appealed from the sentences, suggesting that they should be more severe. Before the appeals were argued, the defendants withdrew their appeals and the crown accordingly withdrew the appeal.

Numerous representations have been made to the government from time to time by growers' organizations and others, to the effect that the jobber-broker combine operates injuriously not only to the grower but also to the Canadian jobbing trade and to the consuming public; and that it should be done away with.

Following the verdict in the recent trial, the so-called independent jobbers, that is to say, those Canadian firms which are not in what is known as the Nash organization, decided to cease the operation of the brokerage houses which they have been operating in conjunction with the jobbing business. These firms were not among those indicted. As the result of this action of the independents, the jobber-broker connection is now operated only by what is known as the Nash organization. Since the trial counsel for the Nash interests has made representations to the government that they would like the view of the government on this question.

The matter is of considerable public importance, and in view of the fruit season having commenced before the appeals were disposed of and of the desire of all parties for an expression of the attitude of the government on this question, this statement is made.

It is not the duty of the government to advise corporations as to how they should conduct their business, nor is it the intention of the government to do so. But the government has found that the question of the jobber-broker combine method of doing business is of such public importance that all parties concerned are entitled to know the government's attitude towards its continuance.

The jobber-broker combine is an attempt to join in the one organization and under the same control, the broker, whose interests should be solely that of the grower, and the jobber, whose interest is opposed to that of the grower. This puts the broker in a position in which his interest conflicts with his duty. Where there is such a conflict of interest and duty it is impossible to guarantee by an external supervision that the thousands of annual shipments of the growers will be handled honestly. Such a relationship is against the established principles of our law and it is difficult to see how the grower could hope to obtain proper returns for his goods, under such a system.

The government has taken steps to ascertain the opinion of those who have a practical knowledge of the operations of the jobber-broker combine. While some growers defend them, they have found pretty general condemnation. Responsible officials in government employ condemn it; growers' organizations controlling the vast majority of the crop of British Columbia condemn it; and there is testimony from Canadian jobbers to the same effect.

In view of all these considerations, the government has decided that it must treat the jobber-broker connection as against public policy; and this announcement is made so that all parties may be aware of these views. If the law as it stands is sufficient to deal with this question, resort will be had to it should there be any disregard of its provisions. If the law as it stands is not sufficient, such appropriate legislation within the legislative competence of the Dominion will be introduced as may be necessary to give effect to this decision.

Mr. GUTHRIE: Have all the fines which were imposed been paid or have any of them been remitted by the government?

Mr. ELLIOTT: All the fines imposed aggregating \$200,000 have been paid.

Mr. BENNETT: Did I understand the minister to say that the fines have been remitted?

Mr. ELLIOTT: No, certainly not.

APPENDIX B

DEALERS' EXPLANATIONS OF CERTAIN CASES OF APPARENT UNDERPAYMENT AND
INCORRECT ACCOUNTING

The dealers on the Toronto Fruit Market were asked to explain certain cases of apparent underpayment and incorrect accounting. A summary of the inquiries and of the answers furnished is given herewith. No opinion is expressed on the correctness or otherwise of these explanations, which mainly rest in the memory of the dealer, there being for the most part, nothing in the records to rebut the conclusion of underpayment. The cases are treated in alphabetical order.

H. J. Ash

Explanations were asked from Mr. H. J. Ash for the following cases of apparent underpayments to shippers, as disclosed by the lot record and duplicate sales invoices:

1. On September 10, 1924, 7 eleven-quart baskets of huckleberries were received from S. Labanche of Espanola. These were sold at \$2.25 per basket and remitted for at \$2.00, a difference of \$1.75.

2. On September 10, 1924, 6 six-quart baskets of gherkins were received from G. H. Horne. These were sold at \$1.25 a basket and remitted for at \$1.00, a difference of \$1.50.

3. On July 18, 1925, 13/36 raspberries were received from R. E. Cudmore and sold and remitted for as follows:—

| | | | | | |
|-------------------------|------|-----|-----|-----|------------|
| Price per quart.. . . . | 10c. | 9c. | 8c. | 7c. | Difference |
| Sold.. . . . | 6 | 1 | 2 | 4 | .... |
| Remitted.. . . . | .. | 7 | 2 | 4 | \$2.16 |

Mr. Ash's explanation of the deduction of 25 cents a basket from Labanche was that it was "probably some adjustment or something." As to the Horne transaction he thought it possible that the money under-remitted on the gherkins might have been overpaid to Horne on some plums which came in the same day. No explanation of the Cudmore transaction was furnished. As bearing on the question of allowances, Mr. Ash submitted a list showing that in September 1924 he made allowances to retailers on account of bad condition of \$60.40, and in July 1925 amounting to \$315.41, but there was nothing to indicate that any of the allowances in question were made on the three shipments above referred to.

Clemes Bros.

For the period of examination in 1925 no cases of apparent irregularities were found in the case of this firm. Explanations were asked for the following cases in 1924:

1. On August 19, 1924, 12 twenty-seven quart cases of raspberries were received from A. Heeks of Bronte and sold and reported as follows:—

| | | | | |
|-------------------------|------|------|------|------------|
| Price per quart.. . . . | 22c. | 20c. | 18c. | Difference |
| Sold.. . . . | 6 | 4 | 2 | .... |
| Reported.. . . . | 5 | 2 | 5 | \$2.16 |

2. During the period from August 19 to August 23, 1924, 127 baskets of tomatoes were received from C. B. Hill and were sold and accounted for as follows:—

| | | | | | | |
|-------------------|------|------|------|------|------|------------|
| | 75c. | 65c. | 60c. | 50c. | 40c. | Difference |
| Sold.. . . . | 1 | 39 | 20 | 55 | 12 | .... |
| Reported | .. | 22 | 38 | 55 | 12 | \$1.00 |

The explanation offered of the first transaction on the examination was—

There must have been some good reason for doing it. It might have been to help some of the other fellows' shipments that sold at less than they were worth; these likely sold for more than they were worth.

Later, after the matter had been further looked into by this firm the following explanation was received.

Re Heeks: 12 cases berries (seven and five) received on 19th; Mr. Oake pointed out to Mr. Norris that our slips show only a total of 11 cases of Heeks' berries sold on that day, making it evident that our salesmen were short one case of berries that night for which they could not account. Our reports are mailed every night and in view of one case being missing, our salesman evidently adjusted the loss by averaging the five cases at 18c. instead of reporting 2 at 20c., 2 at 18c., and 1 lost as per slips—so contributing \$3.78 toward the loss—and the transaction as to the five cases was closed on that basis. It is a fact that missing packages are seldom found. Lot seven is credited according to sales—5 at 22c. and 2 at 20c. We now find there is a slip for one case of berries charged on 20th which is apparently the missing package.

With regard to the 127 tomatoes; the matter of lost packages (which are seldom afterward found) together with allowances, breakages, refusals and returns constantly creeping into this business in perishable goods, shows a continual loss and cannot be obviated. The small difference of one dollar in one week's shipments of 127 baskets of tomatoes may be attributed to any one of these. Tomatoes are a particularly difficult commodity to handle, necessitating many allowances, and while our salesmen cannot recall what transpired in this particular case we have no doubt that these adjustments could have been explained satisfactorily at the time and we are sure they were fair.

It may be observed with respect to these explanations:—

Re Heeks: At the close of business on the 19th eleven cases had been sold for sums totalling \$61.02, and one case remained unsold. The explanation given above is that the firm advanced \$3.78 to the grower for the package which was thought to be lost. The package evidently was found the next day, for sales slip No. 4293 shows a sale to Swann Bros. of one 27-quart case in the name of Heeks at 22 cents or a total of \$5.94. The difference of \$2.16 does not appear to have been remitted to the grower.

Re Hill: The point in the Hill case is not so much the difference of \$1 in the week as the way in which the difference occurred, namely, by reporting no sales at 75 cents, only 22 at 65 cents and 38 at 60 cents.

Dawson-Elliott

No cases of under- or overpayment were found in the twenty-six cases in which the quantities were reconciled for the year 1925. Records for 1924 were not available.

Manser, Webb Company

Explanations were asked from this firm for the following specific cases of apparent underpayment. It should be said in fairness to this firm that while much greater discrepancies were found than in the case of some other firms, it was a comparatively simple matter to trace cases of apparent underpayment, due to the fact that, unlike certain other firms, the records were left as they were, and figures were not usually erased.

1. On May 30, 1924, 44 bushels of spinach were received from George Harris, of Humber Bay. These, according to the lot record book, were sold and remitted for as follows:—

| | | | | |
|--------------------|--------|--------|------|------------|
| | \$1.25 | \$1.00 | 75c. | Difference |
| Sold.. | 20 | 24 | .. | ..... |
| Remitted.. | 8 | 30 | 6 | \$4.50 |

2. On June 2, 1924, a shipment of 15/11 cucumbers was received from the Erie Co-operative at Leamington, sale and remittance, according to the lot record book, being as follows:—

| | \$2.50 | \$2.00 | \$1.50 | \$1.25 | \$1.00 | Difference |
|--------------------|--------|--------|--------|--------|--------|------------|
| Sold.. | 3 | 6 | 4 | 1 | 1 | .... |
| Remitted.. | .. | .. | 15 | .. | .. | \$5.25 |

3. On June 24, 1924, 14/11 asparagus were received from Mrs. C. L. Strathy, St. Davids, and sold and remitted for as follows:—

| | \$2.50 | \$2.25 | \$2.00 | \$1.80 | Difference |
|--------------------|--------|--------|--------|--------|------------|
| Sold | 8 | 3 | 2 | 1 | .... |
| Remitted.. | .. | .. | 14 | .. | \$4.55 |

4. On June 30, 1924, 7/27 berries were received from J. D. Cooper, Niagara, and sold and remitted for as follows:—

| | 23c. | 22c. | 18c. | 15c. | Difference |
|--------------------|------|------|------|------|------------|
| Sold.. | 5 | 1 | .. | 1 | .... |
| Remitted.. | .. | .. | 7 | .. | \$7.02 |

5. On July 7, 1925, 16 of cabbage were received from G. H. R. Baker, at St. Catharines, and sold and remitted for as follows:—

| | \$3.50 | \$3.25 | \$2.75 | Difference |
|--------------------|--------|--------|--------|------------|
| Sold.. | 4 | 1 | 11 | .... |
| Remitted.. | .. | .. | 16 | \$3.50 |

On his examination Mr. Manser suggested that the explanation of the Harris transaction might be that in the case of certain vegetables: "We always try to give them the price they could get on the road." He was unable to give any explanation of the Erie Co-operative and the Mrs. Strathy transactions. Of J. D. Cooper he said: "He ships to everybody. We would not dare to do very much with him."

A written explanation of these transactions was asked for from the firm and the following letters received:—

In answer to your request for an explanation for the difference between apparent sales and payments to shippers would say that the following is the only reason for same.

In vegetables it is utterly impossible to separate shipments of spinach, onions, radishes and loose cabbage, the same shipper having three or four lots in before No. 1 is cleaned up and the shipper knows, and we tell him there is some of No. 1 left when 2 and 3 are cleaned up; if No. 1 has to be dumped we average and report all together at the week end to the best of our ability, not noting always what was lost in repacking or thrown out.

We buy from the Erie Co-operative and have lot goods followed by consignments if they cannot clean up their stock which floods the market and we average both together.

Re Woodruff shipment of peaches and plums—Should have been here Saturday 3.30 p.m. but we did not receive until Monday so peaches were worthless; sold for \$12 added from plums.

We have daily orders for berries and what we use for shipping or regulars if charged too far from later sales we deduct and add or vice versa if market is better later also former allowances deducted.

If it were possible all goods received deduct charges and find how sales and payments correspond but this is impossible as we have no slips to check with.

Hoping that out of this may come a system satisfactory to all, we are,

Yours truly,

MANSER WEBB CO.

P.S.—The writer has never handled a commission book to any extent so not familiar with all general usages with same.

J. R. MANSER.

In view of Mr. Manser's explanation of the Harris transaction that in the case of certain vegetables "they always try to give them the price they could get on the road," Mr. Harris was communicated with and asked as to his understanding. Mr. Harris' reply was: "The understanding on sale of vegetables that I get a full return of sale price (less cartage and their commission). I might state that firm in question never charged me cartage."

This reply was drawn to the attention of Mr. Manser and a request made for an explanation. His reply is as follows:—

Your letter asking for explanation of our Mr. Manser's testimony received. We have had hundreds of dollars' worth of vegetables in our warehouse for months in our possession after having paid Mr. Harris for them and also stored much other goods in warehouse and cellar for months storage free, which accounts for the statement that we "gave him road prices."

Mr. Harris never had his name on the thousands of baskets of tomatoes, cucumbers, beans, boxes of lettuce or cauliflower, while his cabbage, bunch beets, onions, carrots, and all bags were not tagged..

All gardeners have been in the habit of not marking as other shippers which makes it utterly impossible to keep each man's goods separate.

Mr. Harris helped to unload many loads and saw them mixed.

The foregoing is what Mr. Manser alluded to with the remark that a great deal of work was attached cleaning up decayed fruit, cutting tops off, trimming cabbage, etc. At the end of the day if possible or at the week-end the lots are filled in with a deduction from sold goods to make a certain price for goods dumped thus averaging prices to the best of our ability and if you check up the total sales you find the shortage on the other side.

Mr. Manser also asserts that we were in the habit of asking for prices they could get on the road.

Although Mr. Harris is not bringing his goods to us, we feel that it was because of us being unable to handle his goods that he changed as we have not the space to keep proper track of same and have to refuse goods almost every day.

Yours truly,

MANSER WEBB CO.
per J. R. MANSER.

McBride Brothers

The firm of McBride Bros. was asked for explanations of the following apparent under and overpayments, as disclosed in the lot record and duplicate sales slips:—

1. On September 8, 1925, 33 eleven-quart baskets of peppers were received from C. Harding, of Aldershot, and were sold and remitted for as follows:—

| | | | | | | |
|--------------------------|-----|------|------|------|------|------------|
| Price per quart | \$1 | 75c. | 65c. | 60c. | 50c. | Difference |
| Sold.. . . . | 6 | 27 | .. | .. | .. | .... |
| Remitted.. . . . | .. | 6 | 4 | 8 | 15 | \$6.85 |

2. On July 2, 1924, 31 six-quart baskets pears were received from W. Smith, were sold at 85 cents a basket but were remitted for at 75 cents a basket, a difference of \$3.10.

3. On September 12, 1925, 56 six-quart baskets of peaches were received from J. Lawton, all of which were sold at 65 cents a basket, but remittance was made as follows:—

15 at 65c.

41 at 60c.—a difference of \$2.05.

4. On September 11, 1925, 198 dozen corn was received from H. Leaver and 113 dozen from Gordon H. Leaver, both of Oakville. This corn, namely 311 dozen, was sold for \$10 but remittance was made to the two shippers at 5 cents a dozen, an overpayment of \$5.55.

Mr. W. E. Brown, of McBride Bros., was examined as to these transactions, being shown the lot record and duplicate sales slips. He was unable to furnish any definite explanation and his firm was asked for an explanation. They advised that they had no further explanations than those given by Mr. Brown, stating that "it would be impossible at this date to state definitely the reasons why we made alterations in the Sales Reports in question."

The following extracts are from the testimony of Mr. Brown:—

1. Re Harding:

Q. Look at it yourself. It does not look as if there was any mistake; apparently Harding was underpaid to the extent of \$6.75?

A. Underpaid to the extent of \$6.75? If he was underpaid somebody else would get it. In the first place these peppers possibly would not be reported.

Q. Look at the document that you have. Doesn't it look to you as if Harding had been underpaid?

A. In that case.

Q. Does it look to you from these documents that Harding has been underpaid?

A. If I was checking these slips off myself I would think they were Harding's.

Q. And that he had been underpaid.

A. Under the light I have, at the time they were checked in.

Q. You would think they were Harding's and that he had been underpaid to that extent?

A. Yes, according to these slips.

2. *Re Lawton:*

Q. Look at 42923, Saturday, September 12, 1925, John Lawton, how many peaches did you have from him?

A. 56 sixes.

Q. Will you tell me what they sold at?

A. 28 at 65 and 28 at 65.

Q. What did you remit that day?

A. 15 at 65 and 40 at 60.

Q. Why?

A. That was possibly an exceptionally good sale. And some other man would have a poor sale and we would give him probably \$2 or \$3. For instance on another day I may have given him something.

Q. Because it was an extra good sale you took off 5 cents.

A. Yes.

3. *Re Lever:*

Q. Here is a case in which you overpay a person called Lever on a sale of corn \$10 and you remitted to Lever \$15.55 or \$5.55 more than you got? What would you say about that?

A. Just the same as the other. Possibly the corn did not belong to him at all. It may have been put in the wrong margin entirely. If his corn was good and worth more money than we sold it for, we would try as near as possible to give him all we could.

W. J. McCart & Co. Limited

Explanations were asked from W. J. McCart & Co. Limited for two cases of apparent improper accounting in which small sums were retained from the growers.

On his examination Mr. W. J. McCart was asked about the first transaction:—

Q. That is to say you did not give him credit for higher sales. What would be the reason for that?

A. That would be the average I am speaking about.

With respect to the second transaction he testified:—

Q. What would be the explanation of that?

A. The only explanation is, as I told you in the commencement, that we do average the prices. I suppose he thought these 5 at 50 were sold too cheap.

Q. You were withholding from him 85c.?

A. Might have been, and it might have straightened up again.

Mr. McCart was asked to furnish a written explanation about these transactions. It is as follows:—

DEAR SIR:—

Following up the conversation which the writer had with you some few days ago in your office re the investigation which you have held among the several wholesalers, you asked that we write you concerning two account sales of July 16, 1925, there being a difference in the sales of 40c. on one sale and 80c. on the other.

We do not know that we can give you any further information than what we have already given.

We have tried to give you all assistance possible and to answer any questions which we have been asked. As already explained, on several occasions, any difference between our account sales and the actual sale would be some small difference in the averaging of prices which has been the practice in the wholesale trade for some few years.

Yours very truly,

W. J. MCCART & CO., LIMITED.
W. J. MCCART.

The point is not so much the largeness or smallness of the underpayments as the fact that dealers appear to consider that they have some right to withhold part of the proceeds of the grower's goods. It may safely be asserted that even small deductions like these would not be made if the dealer felt obliged to disclose them at the time, instead of explaining them when discovered.

McWilliam & Everist, Limited

The following cases of apparent underpayment and improper reporting were brought to the attention of McWilliam & Everist Limited.

1. On July 9, 1925, 3/36 raspberries were received from Theo. Field, R.R. No. 1, Niagara-on-the-Lake. These were sold at 17 cents and remitted at 15 cents, a difference of \$2.16.

2. On July 9, 1925, 3/11 baskets of huckleberries were received from Ed. Clark of Calendar. These were sold at \$3 a basket and remitted at \$2.75, a difference of 75 cents.

3. On July 9, 1925, 1/36 basket of raspberries was received from T. J. Little of Waterdown. This was sold at 16 cents a quart but remitted at 12½ cents, a difference of \$1.26.

4. On July 9, 1925, 53/6 baskets of cherries were received from A. D. Armstrong, R.R. No. 1, Niagara-on-the-Lake. These were sold and remitted for as follows:—

| | \$1 | 65c. | 50c. | 40c. | 30c. | Difference |
|--------------------|-----|------|------|------|------|------------|
| Sold | 8 | 1 | 10 | .. | 34 | .... |
| Remitted | .. | .. | .. | 53 | ... | \$2.65 |

Mr. J. A. Everist, who was shown the records and asked for an explanation regarding these cases, testified as follows:—

1. *Re Field:*

Q. Can you from this document give any explanation of this case?

A. No, I cannot tell you off-hand.

2. *Re Clark:*

Q. What would be the explanation?

A. I cannot give you one unless it would be that these particular sales do not belong to this receipt at all—it may belong to a day previous.

Q. It has Clark's name on it in each case?

A. He may have shipped some huckleberries the day previous which were unsold that night.

Q. You had better make a note of it and see if you can give me an explanation.

A. Yes, I will.

3. *Re Little:*

A. That is one Mr. Cameron pointed out to me. Thirty-six raspberries \$4.50, 12½ cents a box. I am just wondering if the clerk has taken that off at \$4.50 and then transposed back to 12½c. That occurred to me at the time Mr. Cameron pointed it out.

Q. Did you run an account with Eddington, the person with whom you sold?

A. Yes. The commission man has placed these 36 at \$4.50 and transposed back at 12½c.

Q. You mean his division is wrong?

A. Possibly.

4. *Re Armstrong:*

Q. Then we will take A. D. Armstrong, R.R. 1, Niagara-on-the-Lake; 53-6 cherries sold at 40 cents. The sales slip, 10 at 50, 34 at 30, and 4 at \$1?

A. They don't belong to that lot at all. They are different cherries. These are sweet cherries and the others are sour. They have these confused with something else. They have put them in there and rubbed them out and put them somewhere else. They have these two shippers mixed; there has been a mix-up in the cherries that day.

Q. Do they make two mistakes like that?

A. Yes, liable to make a dozen; there would be possibly two of Armstrong's baskets on the top of the pile. They are sweet cherries and the account salesman has found out these cherries are sour and he has taken the sour cherries and Armstrong's sweets and

rectified it. I can see that quite clearly without going any further. I know there is a mistake there. There are two lots of cherries.

Q. The prices are not so very far out?

A. Forty cents and \$1. Then there are some at 30; they must belong to somebody else. There are not any 30 cent cherries on that day.

Q. The curious part of it is that this balances?

A. It is quite possible. Each night they take stock and the man fills in the prices on that stock sheet the following day. Sales which appear in this sheet July 9th may have been made July 10 or 12.

Q. These sales slips are for the 9th?

A. Yes, but the goods may represent and may have arrived in on the 6th or 7th and these shipments may have been sold the following day.

Q. You have an odd number like 53 and we have sales slips on the 9th for exactly 53 in the name of Armstrong?

A. Yes, that is one thing that looks bad.

Q. It looks as if they absolutely belong to Armstrong?

A. Yes, but I am convinced right here that there is a mix-up here between his cherries and somebody else's. I know it because this account salesman has found out that this particular shipment were sour cherries and some of the prices are sweet cherry prices.

Q. In the 53 there is one sale at 40 cents, which, if your explanation is right, means that every one of these sales slips is wrong and none of these sold is Armstrong's cherries. It looks to me like an average price of 40 cents?

A. No, the man has instructions never to average anything, and I do not see why he should. His instructions always have been to give exactly as he receives, and to rectify his average and shorts, and then any confusion which arises among shippers, but otherwise to pay as we see.

Q. I do not know why you are assuming Gallagher's are mixed and Armstrong's not?

A. Only by the prices on Gallagher's and the one price on Armstrong's. Off hand I do not think Armstrong grows sweet cherries. I can find that out for sure.

Q. You may drop me a line and let me know.

A. Yes, in what I am saying I am giving problematical reasons. I was not here at the time.

Mr. Armstrong was communicated with and replied that the shipment was all sweet cherries.

The written explanation furnished by McWilliam & Everist is as follows:—

Replying to your letter of June 4, we may say that our Mr. Everist has given evidence as to the manner in which shipments are handled on the Toronto Wholesale Fruit Market and in so doing has pointed out many ways in which discrepancies may occur between what appears to be actual selling figures and prices remitted.

We might also point out that prices vary during the day and numerous shippers make several shipments on the same day, causing overlapping where the sales have not been completed, in which case the shipment and the report of sales covering same is held over to the next or succeeding days. You will see from this how difficult it would be for us to definitely state that any particular sales slip is applicable to any particular shipment.

In view of the large number of shipments handled in a season together with the fact that they consist of innumerable grades, varieties, commodities and types of containers, it would be practically impossible for us at this time to say just what the explanations were for the apparent discrepancies you now point out, but after consulting with the employees engaged in the handling of these shipments, we have no doubt that the discrepancies could have been very easily explained at the time and that the shippers received everything they were entitled to.

Peters Duncan, Limited

This firm was asked to explain two of the cases of apparent underpayment. These cases were the following:—

1. On September 6, 1924, 15 of tomatoes were received from Mrs. J. R. Gordon, Box 30, Niagara-on-the-Lake, and sold at 45 cents, remittance being made at 35 cents, a difference of \$1.50.

2. On September 6, 1924, 14/16 egg plant were received from H. Ironsides of Burlington and handled as follows:—

| | 65c. | 60c. | 55c. | 50c. | Difference |
|------------------|------|------|------|------|------------|
| Sold | 2 | 3 | 1 | 8 | .. |
| Remitted.. . . . | .. | .. | 14 | .. | 65c. |

Mr. Samuel Biggs, the accountant, was examined regarding these transactions and testified as follows:—

1. *Re Mrs. J. R. Gordon:*

Q. Does not it appear to you that there is an underpayment of 10 cents to Mrs. Gordon?

A. Yes, there is an underpayment of ten cents per basket.

Q. Will you see if you can find any explanation of that for me?

A. Yes.

Q. Would that be a case in which you get a little higher price than the normal price from the Canada Steamship Lines?

A. Probably would.

Q. And you only remitted for the market price?

A. That is probably the reason, although I cannot say but I know we expect to get a higher price from the hotels and these people than the market price.

Q. In a case of that kind what does the grower get?

A. I do not know—she has got 10 cents less. There are often rebates made.

Q. There is no evidence of a rebate here?

A. No.

Q. The line in which you have been answering is to the effect that where you make a sale to a person who pays a fancy price you do not always remit to the grower that fancy price?

A. I do not say that is so, but I would say in some cases we get a higher price than the market. But if we were selling to a party and gave a rebate of five or ten cents that would be out of our own pocket.

Q. You mean you have to give the Canada Steamship Lines a rebate?

A. We have to in some cases.

Q. You have to give a rebate to get the business?

A. Yes, in order to get business.

Q. You would not say that was one of the cases?

A. I would not say that was one of the cases.

Q. Who would get the rebate?

A. I would say the buyer would.

Q. The individual who was buying for the firm, that is to say, if a company or firm sends a buyer down he would get a rebate for placing the business with any particular wholesaler?

A. Yes, in some cases you have to try and get the trade and hold it. I am not saying in this individual case that was the reason why that reduction is there.

Q. It does sometimes occur that the wholesale firm has to give the individual purchaser a special rebate in order to get him to place the order.

A. Yes.

Q. Will you see if you can find an explanation for this?

A. Yes.

2. *Re H. Ironsides:*

Q. That would show that some of the egg plants sold as high as 65 and you remitted for them at 50. Why would you do that?

A. I do not know what that would be in that case. It looked like an averaging up.

Q. That is averaging down?

A. Averaging down, yes.

Q. Why should he be remitted to at fifty when some sold at 65, 60 and 55?

A. I do not know what would be the reason in that case.

Q. Will you see if you can get me an explanation?

A. Yes.

The written report on these transactions furnished by the firm, is as follows:

With reference to discrepancies between sales and returns on two shipments September 6, 1924, 14 x 16 egg plant shipped by Ironside and 15 x 11 tomatoes shipped by Mrs. J. R. Gordon, we are at this date unable to explain how or why there should be these discrepancies, but feel satisfied there was some satisfactory explanation for them at that time. Sorry we have no definite explanation further than that.

David Spence:

An explanation was asked for the following cases of apparent over and underpayment in the case of David Spence.

1. On July 22, 1925, 3 eleven-quart baskets of blueberries were received from M. Karonowich, and were sold and remitted for as follows, Karonowich being overpaid:—

| | | | |
|------------------|--------|--------|--------|
| | \$2.75 | \$2.25 | \$1.75 |
| Sold.. . . . | 1 | .. | 2 |
| Remitted.. . . . | .. | 3 | .. |

2. On July 22, 1925, 5 eleven-quart baskets of blueberries were received from A. Panetta and were sold and remitted for as follows:—

| | | | | | |
|------------------|--------|--------|--------|--------|------------|
| | \$2.75 | \$2.50 | \$2.25 | \$2.00 | Difference |
| Sold.. . . . | 2 | 1 | 2 | .. | .. |
| Remitted.. . . . | .. | 2 | 2 | 1 | \$1.00 |

3. On July 22, 1925, 11 six-quart baskets of peaches were received from A. Singer and were sold and remitted for as follows:

| | | | |
|------------------|------|------|------------|
| | 75c. | 50c. | Difference |
| Sold.. . . . | 2 | 9 | .. |
| Remitted.. . . . | .. | 11 | 50c. |

Mr. Harold Spence was asked for the explanations of the Karonowich and Panetta transactions, in which the latter was underpaid and the former overpaid. He testified:

Re Karonowich:

A. I do not know, but I would say this was taken from this man and given to the other.

Q. Why should you take from one, and give it to another?

A. Why should we?

Q. Yes?

A. Well, I do not know.

Q. You haven't any authority to do that from the fruit growers?

A. There were three or four baskets sold, one or two sold cheaper than they should have been sold at; they would very likely be averaged up.

A. This basket did not bring enough, and this one too much.

Q. The grower is entitled to all you get?

A. If we sent a card out to a man like that saying that this basket sold for that and this one for less, we would get a letter back from that man as long as your arm, full of complaints, asking why these two were not sold for the same price as the other one. I will tell you how it has happened, one of the salesmen has sold a basket to a man for more than it was worth, he has sold it at the retail price.

Q. I would not think that was so, because on the same day you sold two baskets at \$2.75 and one basket at \$2.50?

A. They are different blueberries, they were not the same.

Q. Why, if Karonowich's were not good did you give him some of Panetta's money?

A. These may have been in that other pile that day.

The written explanation of the three transactions furnished by Mr. David Spence is as follows:—

Regarding the sales of 11 x 6 peaches sold for A. Singer, I really forget the transaction, but I am sure I had some good reason. When I am home and I usually am at home summer months, I make all returns at night from our sheets. I may have returned the 50 cents to the buyer of the two baskets of Singer's peaches. Many times I hand a quarter or a half dollar back out of my own pocket without reporting to the man who sold it, but in future I presume I must stop that practice. You can rest assured I often give more rather than less not intending however. That, of course, is hard for you to understand. Sometimes we are rushed so much for a short time on a busy market, I settle many complaints without any reference to books as the business is my own.

Regarding the two shipments of B. Berries they came in together addressed in small lead pencil and got mixed up because of poor writing. Some of my men, in fact all of us, sometimes if we cannot make out the name on the basket we will margin the place from which shipment came, knowing the office and our checker will have record of proper name. In adjusting the prices on the two lots I made the mistake of 25 cents in my favour. I might have done it the other way just as easy and no doubt I often do because sometimes hours are long and I get tired. On the whole I have had very few complaints, if any, since I started for myself in 1904. My record is good every way and every place.

Stronach & Sons

Mr. George Stronach of Stronach & Sons was asked to explain the apparent discrepancies in the following cases:—

1. On September 9, 1925, 81 six-quart baskets of peaches were received from H. L. Walker of Niagara-on-the-Lake. These according to the lot record and duplicate sales slips and account sales, were sold and remitted for as follows:—

| | 75c. | 65c. | 60c. | 40c. | 25c. | Difference |
|------------------|------|------|------|------|------|------------|
| Sold.. . . . | 57 | 1 | .. | 22 | 1 | |
| Remitted.. . . . | | 4 | 54 | 22 | 1 | \$8.40 |

2. On September 10, 1925—85 eleven-quart baskets of peaches were received from E. D. Lowry of St. Davids. These according to the lot record and duplicate sales slips and account sales, were sold and remitted for as follows:—

| | \$1.25 | \$1.10 | \$1.00 | Difference |
|------------------|--------|--------|--------|------------|
| Sold.. . . . | 12 | 10 | 63 | |
| Remitted.. . . . | | | 85 | \$4.00 |

3. On September 10, 1925, 100/6 baskets of peaches were received from H. L. Craise of Denbrae. Sales and returns made, as shown by the lot record and duplicate sales slips, were as follows:—

| | \$1 | 85c. | 65c. | 60c. | Difference |
|------------------------|-----|------|------|------|------------|
| Sold (99).. . . . | 2 | 7 | 34 | 56 | |
| Returned (100).. . . . | | | 36 | 64 | \$1.85 |

4. On September 8, 1925, 32/11 of onions were received from J. A. Cruickshanks, R. R. No. 3, Simcoe. These, according to the lot record and duplicate sales invoices and account sales, were sold and remitted for as follows:—

| | \$1.50 | \$1.25 | 75c. | 55c. | Difference |
|------------------|--------|--------|------|------|------------|
| Sold.. . . . | 5 | 8 | 11 | 8 | |
| Remitted.. . . . | 5 | 8 | 3 | 16 | \$1.60 |

On his examination Mr. Stronach advanced certain explanations with respect to these transactions and in the case of Walker and Craise shipments subsequently furnished some further information by letter. The nature of the explanations will be seen from the following excerpts from the examination and letter.

1. *Re H. L. Walker*

Q. Your lot record shows 54 at 60, 40 at 65, 22 at 40, and 1 at 25, how do you explain that?

A. It is quite easy to explain that. This particular lot of peaches of Walker's I remember them now. That sale was put in that book two days after the sale. This sale here don't correspond with that. That 22 and that one. These 75 cent peaches were in eleven-quart baskets. If you have your record for the day before that you will find that is the time they came in. I remember that came up with Walker last fall. It came up with Harry Walker last fall.

Q. It is just an extraordinary coincidence that the numbers balance to 81?

A. The only peaches actually in that lot belonging to that is the 22 baskets.

Q. You say all these 75 centers are 11 quarts?

A. I do not think there is a doubt about that at all.

Q. You do not show any sixes at 75 cents in this lot of 81?

A. To the best of my recollection in that particular sale I know it came up with Walker at that time.

Q. What came up?

A. He said he was getting 60 cents for 6-quart baskets and only 75 or 80 for 11-quart baskets. I think he had a car load of peaches in at that time.

Q. You would swear that was so?

A. I would swear he had sixes and elevens at the same time.

Q. When the matter was taken up with Walker?

A. Yes, I remember Walker calling up, it is usually a telephone conversation that I have with Walker. He is quite ready to call up at any time on the telephone.

Q. He complained?

A. No, he did not complain.

Q. What was taken up with Walker?

A. When we were talking about shipping peaches he said it would pay him better to ship them in six-quart baskets than in eleven-quart baskets, as he was getting around sixty for the six-quart baskets, and only 75 for the 11-quart baskets.

Q. If your explanation is correct, there should be something on your lot record showing a receipt from Walker of at least 57 baskets of 11-quart baskets of peaches?

A. I know at the time he was shipping peaches last year I do not think he shipped many six-quart baskets at all. I think he shipped mostly 11's until well on to the last of the season.

Q. If your explanation is correct there should be a lot record within two or three days of September 9, from Mr. Walker, showing 57 baskets.

A. It is usually far more than that.

Q. At least 57?

A. Yes.

Q. Of eleven-quart baskets sold for 75 cents?

A. I do not remember that 81 baskets of peaches.

Q. I thought you said you did?

A. No. We did have a conversation last year as to whether it would be better for him to put the peaches in six- or eleven-quart baskets.

Q. On that particular shipment, according to these calculations there was \$8.40 under-remitted to him?

A. I cannot explain that at all, I do not know whether it is under-remitted to him or not.

2. *Re E. D. Lowry*

In this case the carbon copies of the sales invoices to the retailers showed that Lowry's 85 baskets of peaches were sold as follows:—

| Date | Invoice | To Whom | Quantity | Price | Total |
|---------|---------|-----------------------------|----------|--------|---------|
| 1925 | Number | | | | |
| 10 Sep. | E. 0639 | Kinsey.. . . . | 5 | \$1 25 | \$ 6 25 |
| | E. 0654 | C. France.. . . . | 6 | 1 25 | 7 50 |
| | A. 1331 | Cash sale.. . . . | 1 | 1 25 | 1 25 |
| | A. 1353 | Cash sale to Watson.. . . . | 10 | 1 10 | 11 00 |
| | E. 0659 | Gus Gerace.. . . . | 63 | 1 00 | 63 00 |

The sequence and numbering of the sales slips and the decline in prices would indicate that the sales commenced at \$1.25 and that the lot was cleaned up by a sale to Gerace at \$1.

On his explanation Mr. Stronach testified as follows:—

Q. You have a shipper named A. D. Lowry?

A. I do not know him, if it is in the book we likely have.

Q. He lives at St. Davids?

A. Yes, I know several Lowry's over there.

Q. Do you remember having a conversation with him in the week of September 12?

A. No, I do not.

Q. You have no recollection of that, like you have in the case of Walker?

A. Not particularly, no.

Q. Do you recollect this particular shipment of peaches?

A. I do not suppose I do.

Q. What is your explanation of that?

A. It is easy enough explained; this ten baskets was a private sale.

Q. What do you mean by a private sale?

A. This man Watson buys this 10 baskets of peaches and we pay a delivery wagon to deliver these peaches at 10 cents a basket.

Q. To whom did you pay the 10 cents?

A. The carter to deliver to the private house.

Q. Watson is not in the trade?

A. No, he is not in the trade.

Q. Is your charge 10 cents a basket for delivering to a private individual?

A. No, but if we get an express rig to deliver we have to pay what he charges, and he charged \$1 for that particular ten baskets.

Q. Was that under your instructions that you charged him 10 cents a basket?

A. No, they were sold for 10 cents more than the market was worth. As a matter of fact, these peaches were all sold to that man.

Q. The 63 baskets?

A. No, the whole consignment of these peaches. Eighty-five peaches to Samuel Gerace—I sold them myself. That is my own particular sale.

Q. It only shows 63 baskets?

A. This man got 10 baskets of the peaches, Watson?

Q. You sold them to Gerace and he sold back to Watson? Does the 10 cents appear to Gerace?

A. No, I do not think Gerace got that 10 cents.

Q. You got it?

A. No, the 10 cents went to the cartage man. And some were sold to Kinzie. I think Gerace sold them.

Q. That was C.O.D.?

A. Whether he paid for them is another question.

Q. You instructed your driver to collect C.O.D.?

A. Sometimes when you have perishable stuff like that and he gets up with his load and he is told they haven't the money to-day but will bring it down to-morrow, he leaves the goods. In that way this man got into us about \$220 in 1925.

Q. I thought you said the whole 85 were sold to Gerace?

A. Yes, I remember that sale. That is my own particular sale. I do not know about the others but I know Watson. This sale was made at the boat. The Niagara boat.

Q. The sale of the whole 85 baskets was made at the Niagara boat?

A. Yes, for \$1 a basket.

Q. If that is so, why should the entries be made in that lot record?

A. That is the way they came through. They would be taken out in that way.

Q. Did you open up an account for Gerace?

A. Yes.

Q. Did you open up an account showing you were handling some of the baskets for him?

A. No.

Q. Now look at E. O. 654, you sold 6 baskets of peaches at \$1.25 to C. France, 1070 Dovercourt Road. These peaches were from E. D. Lowry. Why didn't Lowry get the \$1.25?

A. That was a private sale.

Q. France is an Italian in the fruit business?

A. Yes, he is in a very small way. Last summer he didn't have a store at all. I am not sure but I do not think he has. He is all right but I do not think he had a store.

Q. This 25 cents went to Gerace?

A. I could not tell you.

Q. That is your story so far?

A. I remember the 85 baskets coming in and I remember selling him the 85 baskets.

Q. There should be something in your books showing how the difference between the \$1 and the \$1.25 went to Gerace, the money did not belong to you?

A. I have no doubt there would be a good explanation for it at that time.

Q. Do you know what it is?

A. I could not tell you.

Q. That is your explanation of the Lowry transaction?

A. I am only giving you the probable explanation of what it might be.

Q. You say you remember this?

A. I say I remember the sale of that 85 baskets of peaches, that particular sale. I do not know yet why he did not get the whole 85 baskets.

3. *Re H. L. Craise*

Mr. Stronach had no explanation of this transaction.

4. *Re J. A. Cruikshank*

It was admitted by Mr. H. Anderson, Mr. Stronach's bookkeeper, that there had been an underpayment in this case, the explanation being that a clerk had made an error in bringing the figures forward.

Your Commissioner was not impressed with the explanations offered in the Walker case, and in order to verify the statement that the 75 cent peaches were in eleven-quart baskets Mr. H. L. Walker was communicated with and asked whether the 81 baskets of peaches, apparently despatched by him on September 8, were put up in 6-quart or 11-quart baskets. His reply was to the effect that

these peaches were put up in six-quart baskets. He also stated that while he had shipped some 11-quart baskets in September 1925 he had not shipped a car load to Stronach & Sons at all that year.

On a later date, Mr. Stronach wrote stating that the circumstances in connection with this shipment had come sharply to his memory since his examination, and giving the following different explanation of the transaction. The letter also gave some further particulars regarding the Lowry transaction.

"When this shipment arrived at our market the peaches appeared to be in pretty fair shape, and our Mr. James Stronach sold to an Italian, named, if we recollect rightly, Vince, 25 baskets at 75 cents per basket, and to another Italian named Gerace, 30 baskets at 75 cents per basket. The first Italian on examination of the peaches after delivery at his store phoned refusing to take them on account of their being very much over-ripe. His wife must have accepted delivery of the peaches from our driver and probably sold three baskets before her husband arrived home. In any case, only 22 baskets of the 25 delivered were subsequently returned to us by Vince, and the sales slip should show alteration—you have it in your office. These 22 baskets we believe, were the ones afterwards resold at 40 cents per basket.

"In the meantime Gerace and another Italian named Aganna, who had also bought some of this lot, phoned complaining about the peaches being over-ripe, but they were induced to keep them on promise of an adjustment of price. Gerace was afterwards refunded 20 cents per basket, deducted from his accounts. We are not clear about the adjustment made to Aganna but either 15 cents or 20 cents per basket was refunded to him. Vince was also promised an allowance on the 3 baskets he retained, but we are unable to remember whether he ever got it. He paid his account some time later.

"Regarding the apparent difference of \$4 in the account of E. D. Lowry shipment of 85—11's peaches of September 10. On arrival of this shipment at the boat wharf the entire lot were sold on sight to Gerace at \$1 per basket. Mr. George Stronach, who made the sale, did not have a salesbook with him and the charge was not made until he returned to the market. In the meantime a man named Watson wanted to buy 10 baskets for a friend, and with Gerace consenting, we sold him 10 baskets at \$1 plus 10 cents cartage. We paid out this cartage. Two other men wanted some of the peaches, which we recollect were fairly good quality and we sold 12 baskets at \$1.25. Gerace was present when this sale was made also and he was given \$3, the difference between the price he had bought them on the wharf."

Your Commissioner does not express any opinion with respect to these explanations, which rest in the recollection of Mr. George Stronach and his employees.

Union Fruit and Produce Co.

Some six cases of apparent underpayments of small amount were brought to the attention of Mr. A. Barrett. The explanation of the firm is as follows:—

"Under date of September 17, 1924,—shipper No. 126—7 by 6 cukes, we may say that the clerk on that occasion checked off the prices against the wrong shipment and this lot was of inferior quality, the prices had to be adjusted accordingly."

"Shipment A225—September 17, 1924—4 baskets peaches. We would say these goods were on truck at door in lane, and the horse belonging to the Express Co. grabbed the baskets, badly chewing and spoiling the contents, hence a reduction had to be made in order to make disposition of the fruit possible.

"Shipment No. 497, same date, 10 by 6 tomatoes. These goods were returned by customer as not satisfactory after purchase, and were resold at reduced price.

"Shipment No. 480, 3 by 6 gherkins. The buyer of this lot on having them sent out discovered that the grade was much larger under the surface than those

on the top, and the prices had to be reduced accordingly, to make a final disposition of the shipment."

"A375, August 26, 1925, 12 by 11 tomatoes. It appears the buyer of this parcel discovered the tomatoes not up to the standard of expectation and refused to accept same. They were resold at the lower price, as reported."

It would seem highly desirable that where allowances or adjustments are made to retailers a credit note should be passed containing sufficient particulars to identify the transaction. If this is not done discrepancies in records can not be satisfactorily explained.

White & Co., Limited

The following cases of apparent underpayment were brought to the attention of Mr. W. H. Despard, Vice-President and Manager of White & Co., Limited.

1. On May 12, 1925, a shipment of 14/11 asparagus was received from Wm. Filman, Aldershot. This, according to lot record and duplicate sales slips and reports of sales, was sold and remitted for as follows:—

| | \$4.25 | \$4.00 | \$3.75 | \$3.50 | Difference |
|----------------|--------|--------|--------|--------|------------|
| Sold | 1 | 11 | 1 | 1 | |
| Remitted | | 8 | | 6 | \$2.50 |

2. On May 12, 1925 6/11 asparagus were received from Wesley M. Culp of Jordan, and according to the records were sold and remitted for as follows:—

| | \$4.00 | \$3.50 | Difference |
|----------------|--------|--------|------------|
| Sold | 6 | | |
| Remitted | | 6 | \$3.00 |

3. On May 9, 1925, a shipment consisting of 1/6 and 2/11 asparagus was received from T. C. Green of Aldershot and was sold and remitted for as follows:

| | \$4.50 | \$4.00 | \$2.00 | Difference |
|----------------|--------|--------|--------|------------|
| Sold | 2 | | 1 | |
| Remitted | | 2 | 1 | \$1.00 |

In response to a request for an explanation of these apparent discrepancies a letter was received from White & Co., Limited, dated May 31, 1926, containing the following observations:

"In connection with our conversation a day or two ago, in which you asked for some explanation on three or four shipments of tomatoes and asparagus sold in May, 1925—I have gone into this matter with our Mr. Mathews, who is responsible for the commission end of the business, and he explains he cannot recall the exact transactions so far back, but he claims, if any change has been made in the returns, it has been done with a view to averaging up some of the shippers who shipped in at the same time equally good quality and were less fortunate in striking the market owing to our inability to get it all out before a decline in the market. He contends that sometimes, but in rare instances, this is necessary, but that he does not make a practice of it. He also says he has to take cognizance to some extent of allowances we have to make on goods sold and reported on, although in the majority of instances our company pockets the loss.

"I find, on looking up our credit binder, that on May 12 we gave an allowance on tomatoes of \$4; on May 14 we gave an allowance on asparagus and tomatoes of \$4 and another allowance shows on May 14 of \$2. This is caused usually by excessively hot weather and the goods ripening up or softening and buyers becoming dissatisfied, and, if we did not make these adjustments, it would mean their being returned and sold for much less. We have to be fair with the growers, and, if we have erred, it is very often in allowing too much or more than we have obtained.

"Furthermore, it is the practice here to pay the shippers every week, before we get our money. The commission business does not require us to do this. We are not called upon legally to pay the shipper until we get our money for the goods, in which case we would not have to suffer any losses from bad debts or allowances from waste, etc.

"I think that through the season any minor adjustments in price have been more than offset by overpayments and allowances. Also, in cleaning up the floor at night after the day's business is over, we have to sell various lots for a lump sum to the peddlers, and we have to very often apportion this to the various shippers to the best of our judgment.

"We have handled this business with the growers for thirty years or more this way and have explained at times to them our methods, and they have always appeared quite satisfied with the way we handle their goods. It is impossible for us to do any better than we are doing, to be fair to them and to ourselves, and certainly there has been no intent to defraud.

"If the methods now in vogue by the commission houses are not satisfactory to the Government or to the grower, the only thing to do is to pay the shipper a flat market price f.o.b. for the goods, to be determined by us after the goods are sold, and do away with any commission charges, etc.

"This latter suggestion is worth considering and may be necessary to adopt, to avoid any of these petty troubles, and is a live topic among the trade at present.

"Since my conversation with you, I have explained to our Mr. Mathews, to avoid any question or misunderstanding in future, each shipper should be paid exactly as his goods are sold and without any adjustments up or down.

"We would also like to know if you can offer any suggestion how we can avoid or be reimbursed for allowances and rebates that we have to make on commission goods sold and on which we are unable to get any redress from the grower, which amounts to several hundred dollars during a season."

